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**WHOLESALE BASE PROSPECTUS**

# KBC IFIMA S.A.

*(Incorporated with limited liability in the Grand Duchy of Luxembourg)*

**Unconditionally and irrevocably guaranteed by KBC Bank NV**

*(Incorporated with limited liability in Belgium)*

**EUR 15,000,000,000**

**Wholesale Euro Medium Term Note Programme**

*Arranger and Dealer*

**KBC Bank**

Application has been made to the *Commission de Surveillance du Secteur Financier* in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, for the approval of this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive (as defined herein). According to article 7 (7) of the Luxembourg Act dated 10 July 2005, relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, the *Commission de Surveillance du Secteur Financier* does not assume any responsibility as to the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer or the Guarantor. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of approval of this Base Prospectus 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.

The date of this Base Prospectus is 21 June 2016.

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# KBC IFIMA S.A.

*(Incorporated with limited liability in the Grand Duchy of Luxembourg)*

## Unconditionally and irrevocably guaranteed by KBC Bank NV

*(Incorporated with limited liability in Belgium)*

## EUR 15,000,000,000
## Wholesale Euro Medium Term Note Programme

Under this EUR 15,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), KBC IFIMA S.A., a *société anonyme* governed by the laws of the Grand Duchy of Luxembourg, with registered address at 5, place de la Gare, L-1616 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B193577 (the "**Issuer**") may from time to time issue notes that are guaranteed by the Guarantor (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. This does not affect any Notes issued prior to the date of this Base Prospectus.

The payments and, where applicable, delivery of all amounts due in respect of the Notes will be guaranteed by KBC Bank NV (the "**Guarantor**") pursuant to a deed of guarantee dated 21 June 2016 as amended and/or supplemented and/or restated from time to time (the "**Guarantee**") executed by the Guarantor.

The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed EUR 15,000,000,000 (or its equivalent in other currencies).

The Notes may be issued on a continuing basis to any Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis and which may include KBC Bank NV acting in its capacity as a Dealer separate from that as a Guarantor (each a "**Dealer**" and together the "**Dealers**").

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, for the approval of this document as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the "**Prospectus Directive**") in respect of the issue by the Issuer of PD Notes (as defined below). According to article 7 (7) of the Luxembourg Act dated 10 July 2005, relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, the CSSF does not assume any responsibility as to the economical and financial soundness of the operation or the quality or solvency of the Issuer or the Guarantor. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of approval of this Base Prospectus 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. References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes are intended to be admitted to trading on the Luxembourg Stock Exchange's regulated market and are intended to be listed on the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments as amended (the "**MiFID**").

The final terms to this Base Prospectus in respect of the issue of any PD Notes (the "**Final Terms**"), which will specify the applicable terms and conditions of the Notes, will be filed with the CSSF. Copies of the Final Terms in relation to PD Notes to be listed on the official list of the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s). In the case of Notes which are to be admitted to trading on a regulated market (as defined in the Prospectus Directive) of a European Economic Area Member State other than the regulated market of the Luxembourg Stock Exchange (a "**Host Member State**"), the Issuer will request that the CSSF delivers to the competent authority of the Host Member State a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

Notes to be issued under the Programme during the period of twelve months from the date of this Base Prospectus which are admitted to trading on a regulated market as defined under MiFID (including the regulated market of the Luxembourg Stock Exchange) are hereinafter referred to as the "**PD Notes**". Notes issued under the Programme shall have a minimum Specified Denomination of at least EUR 100,000 (or its equivalent in any other currency). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any regulated market within the European Economic Area which does not require the publication of a prospectus under the Prospectus Directive ("**Exempt Notes**"). Partly Paid Notes shall always be Exempt Notes. The CSSF has not reviewed nor approved any information in relation to Exempt Notes.

The Notes of each Tranche will initially be represented by a temporary global Note (a "**Temporary Global Note**") which will be delivered on or prior to the issue date thereof to a common safekeeper (the "**Common Safekeeper**") or a common depositary (the "**Common Depositary**"), as the case may be, in either case for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), and/or any other agreed clearance system which will be exchangeable, as specified in the applicable Final Terms, for a permanent global Note (a "**Permanent Global Note**") upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A Permanent Global Note will be exchangeable for definitive Notes, either upon request or only upon the occurrence of an Exchange Event, all as further described in "Form of the Notes" below.

The rating of certain Series of Notes 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 Notes 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 applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension reduction or withdrawal at any time by the assigning rating agency.

**Prospective purchasers of Notes should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own circumstances and financial condition. Certain issues of Notes involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Notes and are not relying on the advice of the Issuer, the Guarantor or any Dealer in that regard. For a discussion of the risks see "Risk Factors" below. An investment in Notes linked to one or more Reference Items may entail significant risks not associated with investments in a conventional debt security. Such Notes may be principal protected or, alternatively, the principal invested in such notes may be at risk. If the Notes are principal protected, such protection is nevertheless dependent on the Issuer, failing which, the Guarantor complying with its obligations with respect to the Notes. If the Notes are not principal protected, the amount paid by the Issuer on redemption of the Notes may be less than the nominal amount of the Notes, together with any accrued interest, and may in certain circumstances be zero.**

*Arranger and Dealer*
**KBC Bank**

The date of this Base Prospectus is 21 June 2016.

# IMPORTANT INFORMATION

*This section sets out important information relating to the use of this Base Prospectus.*

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS

The Notes have not been and will not be registered under the United States Securities Act 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "*Subscription and Sale*" below).

All references in this document to "**U.S. dollars**", "**USD**" and "**U.S.$**" refer to United States dollars, those to "**Sterling**" refer to pounds sterling, and those to "**euro**", "**EUR**" or "**€**" refer 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.

All references in this document to "**KBC Bank Group**" refer to KBC Bank NV together with its subsidiaries and all references in this document to "**Group**" or "**KBC**" refer to KBC Group NV together with its subsidiaries.

References to "**Affiliate**" in this document, 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.

This Base Prospectus contains or incorporates by reference certain statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Issuer's or the Guarantor's business strategies, trends in its business, competition and competitive advantage, regulatory changes and restructuring plans.

Words such as believes, expects, projects, anticipates, seeks, estimates, intends, plans or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. The Issuer and the Guarantor do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. A number of important factors could cause actual results, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (i) the ability to maintain sufficient liquidity and access to capital markets; (ii) market and interest rate fluctuations; (iii) the strength of global economy in general and the strength of the economies of the countries in which the Issuer or the Guarantor conducts operations; (iv) the potential impact of sovereign risk in certain European Union countries; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer or the Guarantor; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial regulation and currency fluctuations; (viii) the possibility of the imposition of foreign exchange controls by government and monetary authorities; (ix) operational factors, such as systems failure, human error, or the failure to implement procedures properly; (x) actions taken by regulators with respect to the Issuer's or the Guarantor's business and practices in one or more of the countries in which the Issuer or the Guarantor conducts operations; (xi) the adverse resolution of litigation and other contingencies; (xii) the Issuer's or the Guarantor's success at managing the risks involved in the foregoing.

The foregoing list of important factors is not exclusive; when evaluating forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, as well as the other risks identified in this Base Prospectus.

This Base Prospectus contains various amounts and percentages which have been rounded and, as a result, when those amounts and percentages are added up, they may not total.

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Issuer and the Guarantor (together the "**Responsible Persons**") accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and the

Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

**The applicable Final Terms will (if applicable) contain information relating to any underlying equity security, ETF share, basket of equity securities and/or ETF shares, index, inflation index, commodity, commodity index, equity index, currency, debt security or fund interest (each a "Reference Item") to which the relevant Notes relate and which is contained in such Final Terms. However, unless otherwise expressly stated in the relevant Final Terms, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item or component thereof. Each of the Issuer and the Guarantor will, unless otherwise expressly stated in the applicable Final Terms, confirm that such extracts or summaries have been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the issuer, owner or sponsor, as the case may be, of such Reference Item or component thereof, no facts have been omitted that would render the information reproduced inaccurate or misleading.**

This Base Prospectus is to be read in conjunction with any supplement hereto and all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference and form part of this Base Prospectus. This Base Prospectus may only be used for the purposes for which it has been published.

To the fullest extent permitted by law, any Dealer appointed under the Programme from time to time does not accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. Each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to in this section) which it might otherwise have in respect of this Base Prospectus or any such statement. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer and the Guarantor under the Programme.

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

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer, the Guarantor or any Dealer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or of any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes constitutes an offer by or on behalf of the Issuer or the Guarantor or any Dealer to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes issued hereunder 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 appointed under the Programme from time to time expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme. Investors should review, *inter alia*, the documents incorporated herein by reference when deciding whether or not to purchase any Notes.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. In particular, this Base Prospectus has not been submitted for clearance to the *Autorité des marchés financiers*.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor and any Dealer appointed under the Programme from time to time represent that this Base Prospectus may be lawfully distributed, or that any Notes 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. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer, the Guarantor or any Dealer appointed under the Programme from time to time which is intended to permit an offer to the public of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base 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 Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom, France, the Netherlands, Spain, Italy, the Czech Republic, Poland, the Grand Duchy of Luxembourg, Hungary and the Slovak Republic), Japan, Hong Kong, the Republic of Singapore and Korea, see "*Subscription and Sale*" below.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement or in the applicable Final Terms;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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# OVERVIEW OF THE PROGRAMME

*This section provides an overview of the key information contained in the Base Prospectus.*

**The following overview is qualified in its entirety by the remainder of this Base Prospectus.**

## Information relating to the Issuer and the Guarantor

| | |
|---|---|
| **Issuer:** | KBC IFIMA S.A. (a wholly owned subsidiary of the Guarantor) incorporated in the Grand Duchy of Luxembourg as a public limited liability company, having its registered office at 5 Place de la Gare, L-1616, Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B193577. |
| **Business of the Issuer:** | The Issuer acts as a financing vehicle within KBC Bank Group. |
| **Guarantor:** | KBC Bank NV (a wholly-owned subsidiary of KBC Group NV) incorporated in Belgium. |
| **Business of the Guarantor:** | KBC Bank Group is a multi-channel bank that caters primarily to private persons, SMEs and midcaps. Besides its banking activity KBC Bank Group also has a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. |
| **Risk Factors:** | There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. The principal risks in respect of the Issuer include, without limitation, the following: (i) the Issuer is a finance vehicle and accordingly has no trading assets and, if the Guarantor's financial condition deteriorates, the Issuer and investors may suffer direct and materially adverse consequences, (ii) current economic and market conditions pose significant challenges for KBC Bank Group and may adversely affect its results, (iii) increased regulation of the financial services industry, (iv) the highly competitive environment in which KBC Bank Group operates could intensify further, (v) KBC Bank Group has significant credit default risk exposure, (vi) risks associated with liquidity and funding may be aggravated by the current global market conditions, (vii) KBC Bank Group is exposed to counterparty credit risk, (viii) changes in interest rates, (ix) foreign exchange risk, (x) strategies for hedging against market risks may prove to be ineffective, (xi) a downgrade in credit rating may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges, (xii) risk management policies, procedures and methods may expose KBC Bank Group to unidentified or unanticipated or incorrectly quantified risks, (xiii) operational risks, (xiv) the financial industry, including KBC Bank Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available, (xv) KBC Bank Group's financial statements are in part based on assumptions and estimates which, if inaccurate, could have an impact on its reported results or financial position, (xvi) the risk of breaches of compliance-related requirements, (xvii) litigation or other proceedings or actions may adversely affect KBC Bank Group, (xviii) risks on account of pension obligations, (xix) KBC Bank Group is responsible for contributing to compensation schemes and subject to special bank taxes, (xx) KBC Bank Group is |

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subject to increasingly onerous minimum regulatory capital and liquidity requirements, (xxi) KBC Bank Group could become subject to the exercise of "bail-in" powers or other resolution powers by the Resolution Authority, (xxii) the Belgian bank recovery and resolution regime, and (xxiii) KBC Bank Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium.

The risk factors summarised above in respect of the Issuer also apply in respect of the Guarantor (other than the risk set out in sub-paragraph (i) thereof).

There are certain key risk factors which are material for the purpose of assessing the risks associated with the Notes, including, without limitation, the following key risk factors:

(a) the Notes may not be a suitable investment for all investors and involve a high degree of risk.

(b) Noteholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of "bail-in" powers by the resolution authorities.

(c) the Notes may not be principal protected and, if they are, any such protection is dependent on the Issuer, failing which, the Guarantor, performing its obligations with respect to the Notes. In addition, any such principal protection is only at maturity. Also, if the Notes are linked to a Reference Item, the amount of interest payable to Noteholders or amounts payable upon Autocall Redemption or at maturity will be contingent on the level, price or value of the Reference Item and on the structure of the Notes. Prospective investors in the Notes should note that, in certain circumstances, they may not receive any interest.

(d) Risks associated with investing in the Notes include, without limitation, (i) minimum and/or maximum limits imposed on interest rates, (ii) cancellation or scaling back of offers to the public or the issue date being deferred, (iii) hedging activities of the Issuer and/or any of its affiliates, (iv) conflicts of interest between the Issuer and/or any of its affiliates and holders of Notes, (v) modification of the terms and conditions of Notes by majority votes binding all holders, (vi) change in law, (vii) illiquidity of denominations consisting of integral multiples, (viii) payments being subject to withholding or other taxes, (ix) fees and commissions not being taken into account when determining secondary market prices of Notes, (x) there being no secondary market, (xi) exchange rate risk (xii) market value of Notes being affected by various factors independent of the creditworthiness of the Issuer or the Guarantor; and (xiii) credit ratings not reflecting all risks.

**The capital invested in the Notes is at risk. Consequently, the amount a prospective investor may receive on redemption of its Notes may be less than the amount invested by it and may be zero (0).**

Investors may lose up to the entire value of their investment:

(a) as the relevant payoff conditions may not provide for full repayment of the initial purchase price upon redemption or early redemption and the underlying Reference Items may

perform in such a manner that the amount due under the Notes is less than the initial purchase price;

(b) if the Investor sells its Notes prior to the Scheduled Maturity Date in the secondary market at an amount that is less than the initial purchase price;

(c) if the Issuer or the Guarantor is subject to insolvency or bankruptcy proceedings or some other event which negatively affects the Issuer's or the Guarantor's ability to repay amounts due under the Notes;

(d) if the Notes are redeemed early for reasons beyond the control of the Issuer (such as e.g. a change of applicable law or market event in relation to the Reference Item(s)) and the amount paid or delivered is less than the initial purchase price; or

(e) if the Notes are subject to certain adjustments or alternative valuations following certain disruptive market events that result in the amount to be paid or delivered being reduced to an amount or value that is less than the initial purchase price.

See "*Risks related to the structure of a particular issue of Notes*" in "*Risk Factors*".

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

## Information relating to the Programme

| | |
|---|---|
| **Description:** | Euro Medium Term Note Programme |
| **Arranger:** | KBC Bank NV |
| **Dealers:** | KBC Bank NV |
| **Issuing, Listing and Principal Paying Agent:** | KBL European Private Bankers S.A. |
| **Size:** | Up to EUR 15,000,000,000 (or its equivalent in other currencies). The Issuer and the Guarantor may also increase the amount of the Programme. |
| **Distribution:** | Distribution by way of private placement and on a syndicated or non-syndicated basis. |
| **Currencies:** | Subject to all relevant laws, regulations and directives, any currency agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms. |
| **Maturities:** | Subject to all relevant laws, regulations and directives, any maturity with a minimum of at least one year and as specified in the applicable Final Terms. |
| **Issue Price:** | Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par. |

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| **Form of Notes:** | The Notes will be issued in bearer form. |
| **Terms of the Notes:** | Notes may be issued:<br>(i) which bear interest at a fixed or floating rate or at a variable rate calculated by reference to one or more underlyings or bases of reference, including, but not limited to, equity indices, equities, ETF shares, baskets of equity securities and/or ETF shares, inflation indices, currencies, commodities, commodity indices, fund interests, and the credit of one or more specified entities (each a "**Reference Item**");<br>(ii) which do not bear interest; and/or<br>(iii) the redemption amount of which is calculated by reference to one of more Reference Items.<br>Notes may be issued which have a combination of the foregoing.<br>Interest periods, interest rates and the terms of and/or amounts payable or deliverable on redemption may differ depending on the Notes being issued and such terms will be specified in the applicable Final Terms.<br>Summary details of the terms of different types of Notes are provided below. Prospective investors should, however, review the "Terms and Conditions of the Notes" (the "**Conditions**") and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes. |
| **Maximum/Minimum Rate of Interest:** | If a Maximum Rate of Interest or Cap Rate or Cap % applies to a particular Interest Basis, the maximum rate of interest that will be payable under the Notes in respect of such Interest Basis will be provided in the applicable Final Terms and capped.<br>If a Minimum Rate of Interest or Floor Rate or Floor % applies to a particular Interest Basis, the minimum rate of interest that will be payable under the Notes in respect of such Interest Basis will be provided in the applicable Final Terms and floored. |
| **Multipliers:** | Any one or more of an Interest Multiplier, Autocall Multiplier, Index Redemption Multiplier, Equity Redemption Multiplier, Inflation Redemption Multiplier, Currency Redemption Multiplier or Commodity Redemption Multiplier (each, a "**Multiplier**") may apply to the Notes. Such a Multiplier will determine the level of exposure of the investor to the relevant Reference Item and Interest Amounts and/or amounts payable upon redemption will be determined by applying any applicable Multiplier(s). A Multiplier (other than an Autocall Multiplier) may be a positive or a negative number. |
| **Index Linked Notes:** | Payments (whether in respect of principal and/or interest) in respect of such Notes will be calculated by reference to a single index or a basket of indices and on such terms as elected in the applicable Final Terms and specified in the Conditions.<br>If an Index Adjustment Event occurs, the Notes may be subject to adjustment, the index the subject of such an event may be substituted by a replacement index or the Issuer may redeem the Notes. |
| **Equity Linked Notes:** | Payments (whether in respect of principal and/or interest) in respect of such Notes will be calculated by reference to a single equity security or ETF share a basket of equity securities and/or ETF shares on such terms as elected in the applicable Final |

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| | Terms and specified in the Conditions.<br>If Potential Adjustment Events are specified to be applicable in the applicable Final Terms, upon the occurrence of the relevant event, the Notes may be subject to certain adjustments or the equity security the subject of such an event may be substituted by a replacement equity security or ETF share.<br>If De-listing, Merger Event, Nationalisation and (other than in respect of an ETF sharer) Insolvency and/or Tender Offer are specified to be applicable in the applicable Final Terms, upon the occurrence of the relevant event, the Notes may be subject to certain adjustments, the equity security the subject of such an event may be substituted by a replacement equity security or ETF share or the Notes may be redeemed. |
| **Inflation Linked Notes:** | Payments (whether in respect of principal and/or interest) in respect of such Notes will be made by reference to a single inflation index or a basket of inflation indices on such terms as specified in the applicable Final Terms and the Conditions.<br>If a Delay in Publication occurs, the Notes may be subject to adjustment or the inflation index the subject of such an event may be substituted by a replacement inflation index.<br>If a Cessation of Publication occurs, the Notes may be subject to adjustment or the inflation index the subject of such an event may be substituted by a replacement inflation index or the Notes may be redeemed.<br>If a Manifest Error in Publication occurs, the Notes may be subject to a determination and/or adjustment.<br>If a Rebasing occurs, the Notes may be subject to adjustment or the inflation index the subject of such an event may be substituted by the rebased inflation index.<br>If a Material Modification Prior to Relevant Payment Date occurs, the Notes may be subject to adjustment. |
| **Currency Linked Notes:** | Payments (whether in respect of principal and/or interest) in respect of such Notes will be based on such rates of exchange, as specified in the applicable Final Terms and the Conditions.<br>If Currency Disruption Events are specified to be applicable in the applicable Final Terms, upon the occurrence of the relevant event, the Notes may be redeemed or alternatively the Notes may be subject to adjustment by reduction of an interest amount and/or redemption amount or by an amendment to the date of payment of such amount, and in the case of a Price Source Disruption (if specified in the applicable Final Terms), in addition to the above or as an alternative, an alternative method of determination of the exchange rate may be employed or the currency the subject of such an event may be substituted by a replacement currency. |

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| **Commodity Linked Notes:** | Payments (whether in respect of principal and/or interest) in respect of such Notes will be calculated by reference to a single commodity or commodity index or basket of commodities or commodity indices on such terms as elected in the applicable Final Terms and specified in the Conditions.<br>The Calculation Agent may determine that a Market Disruption Event applicable to such Notes has occurred or exists on a day that is a Valuation Date. In such circumstances, the Relevant Price for that Valuation Date will be determined in accordance with the first applicable Disruption Fallback that provides the Relevant Price or that provides for the early redemption of the Notes. The Market Disruption Events and Disruption Fallbacks which apply to an issue of Notes will either be set out in the applicable Final Terms or may be deemed to apply to the Notes as set out in the Conditions including, but not limited to, a delay in valuation, omission of Valuation Dates (where averaging is applicable) or an early redemption of the Notes. Any postponement or alternative provisions for valuation may have an adverse effect on the value of the Notes. |
| **Fund Linked Notes:** | Payments in respect of interest only will be calculated by reference to a single fund interest or basket of fund interests on such terms as elected in the applicable Final Terms and specified in the Conditions.<br>If Fund Potential Adjustment Events are specified to be applicable in the applicable Final Terms, upon the occurrence of the relevant event, the Notes may be subject to certain adjustments or the fund interest the subject of such an event may be substituted by a replacement fund interest or the Notes may be redeemed.<br>If a Fund Extraordinary Event occurs, the Notes may be subject to certain adjustments or the fund interest the subject of such an event may be substituted by a replacement fund. |
| **Zero Coupon Notes:** | Such Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment or where an additional Interest Basis applies. |
| **Credit Linked Notes:** | Subject to certain alternative procedures, amounts payable in respect of such Notes will be calculated by reference to the occurrence of Credit Events in respect of a specified entity or entities.<br>The Notes will be redeemed by payment of the relevant Redemption Amount depending on the redemption basis specified in the applicable Final Terms. |
| **Additional Disruption Events:** | The Notes will be subject to adjustment or may be redeemed upon the occurrence of any Additional Disruption Event specified to be applicable in the applicable Final Terms. |
| **Disrupted Days (Index Linked Notes, Equity Linked Notes and Fund Linked Notes only):** | The Calculation Agent may determine that a Disrupted Day has occurred or exists at a relevant time. Any such determination may have an effect on the value of the Notes and/or may delay settlement in respect of the Notes. |
| **Options and Variable Interest Payments:** | The applicable Final Terms may specify one or more Interest Basis(es) as being applicable to the Notes.<br>One or more of the following may apply to an issue of Notes: Rates Variance, Asian Option, Evolution of Underlying Equity, |

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| | Evolution of Basket of Underlying Equities, Evolution of Underlying Commodity, Evolution of Basket of Underlying Commodities, Evolution of Commodity Index, Evolution of Basket of Commodity Indices, Evolution of Underlying Fund Interest, Evolution of Basket of Underlying Fund Interests, Evolution of Index, Evolution of Inflation, Evolution of Currency, Digital Option or Range Accrual. |
| **Rates Variance:** | If Rates Variance is applicable, the relevant rate of interest to be applied in respect of such Interest Basis for an interest period will depend on whether (i) the relevant value for Rate1 (which may be a fixed percentage or based on a benchmark Reference Rate) is greater or less than (ii) the product of the relevant value for Rate2 (which may be based on a benchmark Reference Rate or be a fixed percentage) and the applicable Scaling Factor. The Margin is added or subtracted to such result, as applicable, and then multiplied by the applicable Interest Multiplier (which may be negative). |
| **Asian Option (in respect of Underlying Equity, Basket of Underlying Equities, Index, Basket of Indices, Inflation, Underlying Commodity, Basket of Underlying Commodities, Commodity Index, Basket of Commodity Indices, Underlying Fund Interest, Basket of Underlying Fund Interests, and Currency):** | Each Interest Amount payable on Notes (other than Currency Linked Interest Notes) with an Asian Option pay-out, in respect of such Interest Basis, is determined by reference to how (i) the average of the values of the applicable Reference Item that could be determined for each of the "**n**" observation dates relating to the relevant interest period (the result, after application of any of the potential adjustments, the "**Latest Average Value**") has increased or decreased from (ii) the product of the Scaling Factor and the average of the values of the Reference Item determined for the initially specified observation dates (the "**Initial Value**" and, after application of the Scaling Factor, the "**Asian Hurdle Value**"). Such increase or decrease in average value is expressed as a percentage of the Initial Value, following which the Margin (if any) is added or subtracted and the result is multiplied by the applicable Interest Multiplier (which may be negative).<br><br>Currency Linked Interest Notes differ, such that the Latest Average Value and Initial Value are reversed (the Initial Value being compared being with the product of (i) the Scaling Factor and (ii) the Latest Average Value (such product being the "**Asian Hurdle Value**" for the purposes of Currency Linked Interest Notes). |
| **Evolution of Underlying Equity, Basket of Underlying Equities, Index, Basket of Indices, Inflation, Underlying Commodity, Basket of Underlying Commodities, Commodity Index, Basket of Commodity Indices, Underlying Fund Interest, Basket of Underlying Fund Interests, and Currency:** | Each Interest Amount payable on Notes (other than Currency Linked Interest Notes) with an Evolution of pay-out, in respect of such Interest Basis, is determined by reference to how (i) the value of the specified Reference Item determined for the relevant interest period (the "**Latest Value**") has increased or decreased from (ii) the product of the Scaling Factor and the value for the immediately preceding interest period (or, for the first variable rate, the initial value) (the "**Previous Value**" and, after application of the Scaling Factor, the "**Evolution Hurdle Value**"). Such increase or decrease in value is expressed as a percentage of the Previous Value, following which the Margin (in any) is added or subtracted and the result is multiplied by the applicable Interest Multiplier (which may be negative).<br><br>Currency Linked Interest Notes differ, such that the Latest Value and Previous Value are reversed (the Previous Value is compared with the product of (i) the Scaling Factor and (ii) the Latest Value (such product being the "**Evolution Hurdle Value**" |

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| | for the purposes of Currency Linked Interest Notes). Otherwise, the pay-out operates identically. |
| **Digital Option:** | Each Interest Amount payable on Notes with a Digital Option pay-out, in respect of such Interest Basis, is determined by whether the applicable Digital Option Variable when compared to the product of (i) the Digital Option Strike and the (ii) Scaling Factor, satisfies the parameters of the relevant Digital Option Payment Condition. If so, then the Notes may bear interest at a fixed rate or at a floating rate based on an ISDA Determination or a Screen Rate Determination, which floating rate will also be subject to an Interest Multiplier and a Margin (each of which may independently be positive or negative). It is also possible that a minimum and maximum rate of interest is applied, such that the rate can not be below or exceed such collar boundaries. If the Digital Option Payment Condition is not satisfied, then either a fallback rate of interest based on similar methodologies may be applicable or no interest shall apply.<br><br>The Digital Option Variable will be a value of the relevant Reference Item that is determined for each Interest Period. The corresponding Digital Option Strike may either be (i) a specified level, price or rate or (ii) a value of the relevant Reference Item determined on a different basis to the Digital Option Variable. |
| **Range Accrual:** | Range Accrual Notes will bear interest at a fixed or floating rate on each day within the relevant Interest Period for which the specified Range Accrual Condition is satisfied. Each Interest Amount payable on Range Accrual Notes in respect of such Interest Basis will depend on the number of days in the relevant Interest Period (N) on which the Reference Spread fixes at a level which satisfies the parameters for the applicable Range Accrual Condition. Such parameters will be set by reference to a specified Lower Threshold and, in certain cases, Upper Threshold. If the Reference Spread does not fix at a level satisfying the Range Accrual Condition on any of those days, then N will be zero and no Interest Amounts will be payable for such Interest Period. If N is greater than zero, then the applicable Range Accrual Rate of Interest will be the product of a multiplier (equal to N divided by the actual number of calendar days in such Interest Period (A)) and the specified fixed or floating rate, but capped at any specified Maximum Rate of Interest.<br><br>The "**Reference Spread**" (which could be negative) will be the spread of Variable 1 (based on a benchmark Reference Rate) over Variable 2 (which will be a benchmark Reference Rate or otherwise specified to be zero). |
| **Illegality:** | If the Calculation Agent determines that the performance of the Issuer's obligations under a Series of Notes or, as the case may be, the Guarantor's obligations under the Guarantee or that any arrangements made to hedge the Issuer's position under such Notes has or will become unlawful, illegal, or otherwise prohibited in whole or in part, the Notes may be redeemed, as more fully set out under "*Terms and Conditions of the Notes*". |
| **Redemption:** | The applicable Final Terms may specify that Notes will be redeemed at par, a specified amount, by reference to the value(s) or credit of a Reference Item, or redeemable in two or more instalments and on such dates as are indicated in the applicable Final Terms. |

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| | The Notes may be redeemed prior to their stated maturity for taxation reasons or on an illegality or, if specified in the applicable Final Terms, following an Additional Disruption Event, or in the case of Index Linked Notes, following an Index Adjustment Event or, in the case of Equity Linked Notes and if specified to be applicable in the applicable Final Terms, following a De-listing, Merger Event, Nationalisation and Insolvency, Cross-contamination, ETF Insolvency Event, ETF Modification, ETF Regulatory Action, ETF Strategy Breach and/or Tender Offer or, in the case of Inflation Linked Notes and if specified to be applicable in the applicable Final Terms, following the occurrence of an Inflation Index Cancellation pursuant to a Cessation of Publication or, in the case of Credit Linked Notes and if so specified to be applicable in the applicable Final Terms, following a Merger Event, or in the case of Currency Linked Notes and if specified to be applicable in the applicable Final Terms, following the occurrence of Dual Exchange Rate, General Inconvertibility, General Non-Transferability, Governmental Authority Default, Illiquidity, Material Change in Circumstances, Nationalisation, Price Source Disruption, Specific Inconvertibility, or Specific Non-Transferability. In such cases the Notes will redeem at the Early Redemption Amount as more fully set out under "*Terms and Conditions of the Notes*". The Notes may also redeem prior to their stated maturity if Issuer Call, Investor Put or Autocall Early Redemption are specified in the applicable Final Terms. If Notes are be redeemable at the option of the Issuer (where an Issuer Call is applicable) and/or the Noteholders (where an Investor Put is applicable) or if Autocall Early Redemption applies, on a date or dates specified prior to such stated maturity, they shall be redeemed at a price or prices and on such terms as are indicated in the applicable Final Terms. |
| **Denomination of Notes:** | A minimum of EUR 100,000 (or its equivalent in any other currency). |
| **Taxation:** | If Condition 14*(a)* is specified to be applicable in the applicable Final Terms, all payments will be made without deduction or withholding on account of tax imposed within any Tax Jurisdiction unless such deduction is required by law. In the event that any such deduction is required, the Issuer or the Guarantor will in general be required to pay additional amounts, subject to certain exemptions.<br><br>If Condition 14*(b)* is specified to be applicable in the applicable Final Terms, neither the Issuer nor the Guarantor shall be liable for any tax, duty, withholding or other payment which may arise in connection with the Notes and all payments made by the Issuer or the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required. |
| **Negative Pledge:** | The terms of the Notes will not contain a negative pledge. |
| **Cross Default:** | The terms of the Notes will not contain a cross-default provision in respect of either the Issuer or the Guarantor. |
| **Status of the Notes:** | The Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer and *pari passu* without any preference among themselves except for obligations given priority by law. The Notes will be guaranteed by the Guarantor |

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| | pursuant to the terms of the Guarantee. |
| **Approval, listing and admission to trading:** | Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of approval of this Base Prospectus 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.<br>Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets. Notes which are neither listed nor admitted to trading on any market may also be issued.<br>The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges or markets. |
| **Governing Law:** | The Notes and the Guarantee will be governed by English law except that Condition 2*(c)* of the Notes will be governed by Belgian law and Clause 6 of the Guarantee dealing with the status of the obligations of the Guarantor under the Guarantee will be governed by Belgian law.<br>The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded. |
| **Selling Restrictions:** | There are restrictions on the offer, sale and transfer of the Notes. See "*Subscription and Sale*" below.<br>The Issuer is a Category 2 Issuer and the Notes will be issued in compliance with the TEFRA D Rules unless otherwise specified in the applicable Final Terms. |

# RISK FACTORS

*This section sets out the principal risks inherent in investing in Notes issued under the Programme, including key risks relating to investments linked to the different underlyings or bases of reference.*

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other unknown reasons or for reasons which may not be considered significant risks by the Issuer or the Guarantor based on the information currently available to it or which it may not currently be able to anticipate and the Issuer and the Guarantor do not represent that the statements regarding the risks of holding any Notes are exhaustive. The sequence in which the risk factors are listed is not an indication of their likelihood to occur or of the extent of their consequences. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision and consult with their own professional advisors (if they consider it necessary).

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

**AN INVESTMENT IN NOTES LINKED TO ONE OR MORE REFERENCE ITEMS MAY ENTAIL SIGNIFICANT RISKS NOT ASSOCIATED WITH INVESTMENTS IN A CONVENTIONAL DEBT SECURITY, INCLUDING BUT NOT LIMITED TO THE RISKS SET OUT BELOW. SUCH NOTES MAY BE PRINCIPAL PROTECTED OR, ALTERNATIVELY, THE PRINCIPAL INVESTED IN SUCH NOTES MAY BE AT RISK. IF THE NOTES ARE PRINCIPAL PROTECTED, SUCH PROTECTION IS NEVERTHELESS DEPENDENT ON THE ISSUER, FAILING WHICH, THE GUARANTOR, PERFORMING ITS OBLIGATIONS WITH RESPECT TO THE NOTES. IF THE NOTES ARE NOT PRINCIPAL PROTECTED, THE AMOUNT PAID BY THE ISSUER ON REDEMPTION OF THE NOTES MAY BE LESS THAN THE NOMINAL AMOUNT OF THE NOTES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO.**

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

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in "**Terms and Conditions of the Notes**" below.

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## RISK FACTORS RELATING TO THE ISSUER AND THE GUARANTOR

### 1 Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

The Issuer is a finance vehicle whose principal purpose is to raise debt to be on-lent to the Guarantor and other subsidiaries of the Guarantor. The Issuer does not have any trading assets and does not generate trading income. Notes issued under the Programme are guaranteed pursuant to the Guarantee. Accordingly, if the Guarantor's financial condition were to deteriorate, the Issuer and investors in the Notes may suffer direct and materially adverse consequences.

The risk factors as set out below in respect of the Guarantor may also apply, directly and/or indirectly, to the Issuer, due to the interconnectedness of the credit risks of the Issuer and the Guarantor (since the Issuer is a fully-owned subsidiary of the Guarantor) and due to the Guarantor itself guaranteeing the obligations of the Issuer under the Guarantee.

### 2 Risks relating to KBC Bank Group, the markets in which it operates and its business

#### 2.1 Economic and market conditions may pose significant challenges for KBC Bank Group and may adversely affect its results

The global economy, the condition of the financial markets and adverse macro-economic developments can all significantly influence KBC Bank Group's performance. The after-effects of the financial crisis on the wider economy and the uncertainty concerning the future economic environment have led to more difficult earnings conditions for the financial sector. The challenging environment in which KBC Bank Group operates is characterised by a tightening of credit, a prolonged period of low interest rates resulting from (amongst others) ongoing central bank measures to foster economic growth and giving rise to negative interest rates in some areas, increased and unprecedented levels of market volatility and a reduction in business activity with lower overall profitability. Furthermore, a number of countries in Europe have relatively large sovereign debts and/or fiscal deficits, and most European economies face a number of structural challenges.

Since KBC Bank Group conducts the majority of its business in Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and the other home markets such as Ireland, its performance is influenced by the level and cyclical nature of business activity in these countries which is in turn affected by both domestic and international economic and political events. A weakening in these economies may in particular have a negative effect on KBC Bank Group's financial condition and results of operations. Moreover, any deterioration in financial and credit market conditions could further adversely affect KBC Bank Group's business and, if they were to persist or worsen, could adversely affect KBC Bank Group's financial condition, results of operations and access to capital and credit.

General business and economic conditions that could affect KBC Bank Group include the level and volatility of short-term and long-term interest rates, a prolonged period of low and potentially negative interest rates in some areas, inflation, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, fluctuations in foreign exchange, the availability and cost of funding, investor confidence, political crisis, credit spreads (e.g., corporate, sovereign) and the strength of the economies in which KBC Bank Group operates.

In addition, KBC Bank Group's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economies in which KBC Bank Group does business and market interest rates at the time. All these elements, including market volatility, can negatively affect KBC Bank Group's banking and asset management activities through a reduction in demand for products and services, a reduction in the value of assets held by KBC Bank Group, a decline in the profitability of certain assets and a loss of liquidity in certain asset classes.

**2.2 Increased regulation of the financial services industry or changes thereto could have an adverse effect on KBC Bank Group's operations**

There have been significant regulatory developments in response to the global financial crisis, including various initiatives, measures, stress tests and liquidity risk assessments taken at the level of the European Union, national governments, the European Banking Authority and/or the European Central Bank (the "**ECB**"). This has led to the adoption of a new regulatory framework and the so-called "**Banking Union**", as a result of which the responsibility for the supervision of the major Eurozone credit institutions (including the Group) has been assumed at the European level.

The most relevant areas of regulatory and legislative developments which affect KBC Bank Group and its parent KBC Group NV include the following:

- The revised regulatory framework of Basel III which was implemented in the European Union through the adoption of Regulation (EU) n°575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms ("**CRD**", and together with CRR, "**CRD IV**").

- A new recovery and resolution regime for credit institutions which introduced certain tools and powers with a view to addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses, through Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending various EU Directives and Regulations ("**RRD**").

- The assumption in November 2014 of certain supervisory responsibilities by the ECB which were previously handled by the National Bank of Belgium (the "**NBB**"), pursuant to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the "**Single Supervision Mechanism**" or "**SSM**").

- Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council (the "**Single Resolution Mechanism**" or "**SRM**"). The Single Resolution Mechanism entered into force on 19 August 2014 and applies to credit institutions which fall under the supervision of the ECB, including KBC Bank Group. It established a Single Resolution Board ("**SRB**") which is responsible since 1 January 2016 of vetting resolution plans and carrying out any resolution in cooperation with the national resolution authorities (the SRB together with the resolution college of the NBB is hereinafter referred to as the "**Resolution Authority**").

In May 2014, the new Belgian law of 25 April 2014 on the status and supervision of credit institutions (the "**Banking Law**") entered into force. The Banking Law replaced the banking law of 22 March 1993 and implemented various directives, including (without limitation) CRD IV and RRD, as well as various other measures taken since the financial crisis. The Banking Law imposes, amongst others, several restrictions with respect to certain activities (including trading activities, which may have to be separated if certain thresholds are exceeded) and prohibits certain proprietary trading activities. Certain provisions of the Banking Law are still subject to further implementation.

In addition, the Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics). The Banking Law makes a fundamental distinction between the management of banking activities, which is within the

competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general and risk policy, which is entrusted to the Board of Directors. Pursuant to the Banking Law, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013. The NBB Governance Manual for the Banking Sector contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

KBC Bank Group conducts its businesses subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in Belgium and the other regions in which KBC Bank Group conducts its business. Changes in supervision and regulation, in particular in Belgium and Central and Eastern Europe (e.g. Hungary), could materially affect KBC Bank Group's business, the products and services offered by it or the value of its assets.

In particular, it cannot be excluded that KBC Bank Group would be required to issue further securities that qualify as regulatory capital or to liquidate assets or curtail certain businesses as a result of such new regulations or a different interpretation given by the ECB (or exercise of certain discretions under the applicable banking regulations in a different manner than the NBB). All may have an adverse effect on KBC Bank Group's business, financial condition and results of operations. Moreover, there seems to have been an increase in the level of scrutiny applied by governments and regulators to enforce applicable regulations and calls to impose further charges on the financial services industry in recent years. There can be no assurance that such increased scrutiny or charges will not require KBC Bank Group to take additional measures which, in turn, may have adverse effects on its business, financial condition and results of operations.

**2.3 Risk associated with the highly competitive environment in which KBC Bank Group operates and which could intensify further as a result of the global market conditions**

As part of the financial services industry, KBC Bank Group faces substantial competitive pressures that could adversely affect the results of its operations in banking, asset management and other products and services.

In its Belgian home market, KBC Bank Group faces substantial competition, mainly from BNP Paribas Fortis, ING Group and Belfius Bank. In addition, KBC Bank Group faces increased competition in the Belgian savings market from smaller-scale banking competitors (and internet bank competitors) seeking to enlarge their respective market shares by offering higher interest rates. In Central and Eastern Europe, KBC Bank Group faces competition from the regional banks in each of the jurisdictions in which it operates and from international competitors such as UniCredit, Erste Bank and Raiffeisen International.

Competition is also affected by consumer demand, technological changes (including the growth of digital banking), regulatory actions and/or limitations and other factors. Such factors include changes in competitive behaviour due to new entrants to the market (including potentially non traditional financial services providers such as large retail or technology conglomerates) and new lending models (such as, for example, peer-to-peer lending). These competitive pressures could result in increased pricing pressures on a number of KBC Bank Group's products and services and in the loss of market share in one or more such markets. Moreover, there can be no certainty that KBC Bank Group's investment in its IT capability intended to address the material increase in customer use of online and mobile technology for banking will be successful or that it will allow KBC Bank Group to continue to grow such services in the future.

**2.4 KBC Bank Group has significant credit default risk exposure**

As a large financial organisation, KBC Bank Group is subject to a wide range of general credit risks, including risks arising from changes in the credit quality and recoverability of loans and amounts due from counterparties. Third parties that owe KBC Bank Group money, securities or other assets may not pay or perform under their obligations. These parties include, among others, borrowers under loans made by KBC Bank Group, the issuers whose securities KBC Bank Group holds, customers, trading counterparties, counterparties under derivative contracts, clearing agents, exchanges, clearing houses, guarantors and other financial intermediaries. These parties may default on their obligations to KBC

Bank Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

Credit institutions have witnessed a significant increase in default rates over the past few years as a result of worsening economic conditions. This increase in the scope and scale of defaults is evidenced by the significant increase in the amount of impaired loans in the portfolio of KBC Bank Group in 2013, although this has been decreasing again since 2014. This trend, i.e. the decreasing amount of impaired loans, remains visible, particularly in Ireland. In some of the Central and Eastern European countries in which KBC Bank Group is active, credit is also granted in a currency other than the local currency. Changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. Any further adverse changes in the credit quality of KBC Bank Group's borrowers, counterparties or other obligors could affect the recoverability and value of its assets and require an increase in KBC Bank Group's provision for bad and doubtful debts and other provisions. In addition to the credit quality of the borrower, adverse market conditions such as declining real estate prices negatively affect the results of KBC Bank Group's credit portfolio since these conditions impact the recovery value of the collateral. All this could be further exacerbated in the case of a prolonged economic downturn or worsening market conditions.

KBC Bank Group makes provisions for loan losses which correspond to the provision for impairment losses in its income statement in order to maintain appropriate allowances for loan losses based on an assessment of prior loan loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the collectability of the loan portfolio. This determination is primarily based on KBC Bank Group's historical experience and judgment. Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have a material adverse effect on KBC Bank Group's business, results of operation or financial condition.

KBC Bank Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns. As this credit risk reflects some concentration, particularly in Belgium, the Czech Republic, the Slovak Republic, Hungary, Bulgaria and the other home markets (such as Ireland) where it is active, KBC Bank Group's financial position is sensitive to a significant deterioration in credit and general economic conditions in these regions. Moreover, uncertainty regarding the Eurozone, the risk of losses as a result of a country's or a credit institution's financial difficulties or a downgrade in its credit rating could have a significant impact on KBC Bank Group's credit exposure, loan provisioning, results of operation and financial position. In addition, concerns about, or a default by, one credit institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions are closely related as a result of their credit, trading, clearing and other relationships.

The events described above have adversely affected and may continue to adversely affect KBC Bank Group's ability to engage in routine transactions as well as the performance of various loans and other assets it holds.

**2.5 Risks associated with liquidity and funding inherent to KBC Bank Group's business**

The procurement of liquidity for KBC Bank Group's operations and access to long term financings are crucial to achieve KBC Bank Group's strategic goals, as they enable KBC Bank Group to meet payment obligations in cash and on delivery, scheduled or unscheduled, so as not to prejudice KBC Bank Group's activities or financial situation.

Although KBC Bank Group currently has a satisfactory liquidity position (with a diversified core deposit base and a large amount of liquid and/or pledgeable assets), its procurement of liquidity could be adversely impacted by the inability to access the debt market, sell products or reimburse financings as a result of the deterioration of market conditions, the lack of confidence in financial markets, uncertainties and speculations regarding the solvency of market participants, rating downgrades or operational problems of third parties. In addition thereto, KBC Bank Group's liquidity position could be adversely impacted by substantial outflows in deposits and asset management products.

Limitations of KBC Bank Group's ability to raise the required funds on terms which are favourable for KBC Bank Group, difficulties in obtaining long-term financings on terms which are favourable for KBC Bank Group or dealing with substantial outflows could adversely affect KBC Bank Group's business, financial condition and results of operations. In this respect, the adoption of new liquidity requirements under Basel III and CRD IV must be taken into account since these could give rise to an increased competition resulting in an increase in the costs of attracting the necessary deposits and funding.

Furthermore, as was the case during the financial crisis, protracted market declines can reduce the liquidity of markets that are typically liquid. If, in the course of its activities, KBC Bank Group requires significant amounts of cash on short notice in excess of anticipated cash requirements, KBC Bank Group may have difficulty selling investments at attractive prices, in a timely manner, or both.

In such circumstances, market operators may fall back on support from central banks and governments by pledging securities as collateral. Unavailability of liquidity through such measures, or the decrease or discontinuation of such measures could result in a reduced availability of liquidity on the market and higher costs for the procurement of such liquidity when needed, thereby adversely affecting KBC Bank Group's business, financial condition and results of operations.

**2.6 KBC Bank Group is exposed to counterparty credit risk in derivative transactions**

KBC Bank Group executes a wide range of derivatives transactions, such as interest rate, exchange rate, share/index prices, commodity and credit derivatives with counterparties in the financial services industry.

Operating in derivative financial instruments exposes KBC Bank Group to market risk and operational risk, as well as the risk that the counterparty defaults on its obligations or becomes insolvent prior to maturity when KBC Bank Group has an outstanding claim against that counterparty. Non-standardised or individually negotiated derivative transactions can make exiting, transferring or settling the position difficult.

Counterparty credit risk has increased due to recent volatility in the financial markets and may be further exacerbated if the collateral held by KBC Bank Group cannot be realised or liquidated at a value that is sufficient to cover the full amount of the counterparty exposure.

**2.7 Changes in interest rates, which are caused by many factors beyond KBC Bank Group's control, can have significant adverse effects on its financial results**

Fluctuations in interest rates affect the returns KBC Bank Group earns on fixed interest investments and also affect the value of the investment and trading portfolio of KBC Bank Group. Interest rate changes also affect the market values of the amounts of capital gains or losses KBC Bank Group takes on and the fixed interest securities it holds.

The results of KBC Bank Group's operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. Changes in market interest rates, including in case of negative interest rates in certain areas, can affect the interest rates that KBC Bank Group receives on its interest-earnings assets differently to the rates that it pays for its interest-bearing liabilities. Accordingly, the composition of KBC Bank Group's assets and liabilities, and any gap position resulting from such composition, causes KBC Bank Group's operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods and/or between the different currencies in which KBC Bank Group holds interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of KBC Bank Group's businesses.

**2.8 KBC Bank Group is subject to foreign exchange risk**

KBC Bank Group pursues a prudent policy as regards its structural currency exposure, with a view to limit as much as possible currency risk. Foreign exchange exposures in the asset-liability management ("**ALM**") books of banking entities with a trading book are transferred to the trading book where they are managed within the allocated trading limits. The foreign exchange exposure of banking entities

without a trading book and of other entities has to be hedged, if material. Equity holdings in non-euro currencies that are part of the investment portfolio are however generally not hedged. Participating interests in foreign currency are in principle funded by borrowing an amount in the relevant currency equal to the value of assets excluding goodwill. Although KBC Bank Group pursues a prudent policy with regard to foreign exchange risk, there can still be a limited impact of this risk on the financial results of KBC Bank Group.

**2.9 KBC Bank Group is subject to market risk**

The most significant market risks KBC Bank Group faces are interest rate, spread, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of KBC Bank Group's investment and trading portfolios.

KBC Bank Group uses a range of instruments and strategies to partly hedge against certain market risks. If these instruments and strategies prove ineffective or only partially effective, KBC Bank Group may suffer losses. Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by KBC Bank Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by KBC Bank Group and could therefore have a material adverse effect on KBC Bank Group's business, results of operations and financial condition.

**2.10 A downgrade in the credit rating of KBC Group NV or its subsidiaries may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges**

The credit ratings of KBC Group NV and certain of its subsidiaries, such as KBC Bank NV, are important to maintaining access to key markets and trading counterparties. The major rating agencies regularly evaluate KBC Group NV and KBC Bank NV and their securities, and their ratings of debt and other securities are based on a number of factors, including financial strength, as well as factors not entirely within the control of KBC Bank Group, including conditions affecting the financial services industry generally or the rating of the countries in which it operates. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that KBC Group NV or the other group members will maintain the current ratings.

KBC Group NV or the other group members' failure to maintain their credit ratings could adversely affect the competitive position of KBC Bank Group, make entering into hedging transactions more difficult and increase borrowing costs or limit access to the capital markets or the ability of KBC Bank Group to engage in funding transactions. A further reduction in any such entities' credit ratings could have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical. In connection with certain trading agreements, KBC Bank Group may be required to provide additional collateral in the event of a credit ratings downgrade.

**2.11 KBC Bank Group's risk management policies, procedures and methods may leave it exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities**

KBC Bank Group devotes significant resources to developing risk management policies and models, procedures and assessment methods for its banking and asset management businesses. KBC Bank Group applies both quantitative and qualitative methods to arrive at quantifications of risk exposures, amongst others, value-at-risk ("**VaR**") models, back testing, Probability of Default ("**PD**") models, Loss Given Default ("**LGD**") models, asset valuation models and stress tests as well as risk assessment methods.

Nonetheless, such risk management techniques and strategies may not be fully effective in assessing risk exposure in all economic and market environments or against all types of risk, including risks that KBC Bank Group fails to identify or anticipate. Some of the models and metrics used are based upon observed historical behaviour as well as future predictions. Accordingly, the models used by KBC

Bank Group may fail to predict or predict incorrectly future risk exposures and KBC Bank Group's losses could therefore be significantly greater than such measures would indicate. In addition, the risk management methods used by KBC Bank Group do not take all risks into account and could prove insufficient. If prices move in a way that KBC Bank Group's risk modelling has not anticipated, KBC Bank Group may experience significant losses. These failures can be exacerbated where other market participants are using models that are similar to those of KBC Bank Group. In certain cases, it may also be difficult to reduce risk positions due to the activity of other market participants or widespread market dislocations. Furthermore, other risk management methods depend on the evaluation of information regarding markets, customers or other publicly-available information. Such information may not always be accurate or up-to-date.

Accordingly, KBC Bank Group's losses could be significantly greater than such measures would indicate and unanticipated or incorrectly quantified risk exposures could result in material losses in KBC Bank Group's banking and asset management businesses.

**2.12 While KBC Bank Group strictly manages its operational risks, these risks remain inherent to its business**

KBC Bank Group is exposed to many types of operational risks, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. In addition, KBC Bank Group may also be subject to disruptions of its operating systems, or of the infrastructure that supports it, arising from events that are wholly or partially beyond KBC Bank Group's control (for example natural disasters, acts of terrorism, computer viruses, pandemics, transport or utility failures or external vendors not fulfilling their contractual obligations) which could give rise to losses in service to customers and to loss or liability to KBC Bank Group.

The operational risks that KBC Bank Group faces include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud or cyber crime. These events can potentially result in financial loss as well as harm to its reputation. Additionally, the loss of key personnel could adversely affect KBC Bank Group's operations and results.

KBC Bank Group attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks, they do not eliminate them.

**2.13 The financial industry, including KBC Bank Group, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available**

KBC Bank Group, like other banks and financial institutions, is increasingly dependent on highly sophisticated information technology (IT) systems for the conduct of its business. The proper functioning of KBC Bank Group's payment systems, financial and sanctions controls, risk management, credit analysis and reporting, accounting, customer services and other IT services, as well as the communication networks between its branches and main data centres, are critical to KBC Bank Group's operations.

IT systems are, however, vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrading and banks, including KBC Bank Group, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect financial industry operations from cyber-attacks could result in the loss or compromise of customer data or other sensitive information. These threats are increasingly sophisticated and there can be no assurance that banks will be able to prevent all breaches and other attacks on its IT systems. In addition to costs that may be incurred as a result of any failure of IT systems, banks, including KBC Bank Group, could face fines from bank regulators if they fail to comply with applicable banking or reporting regulations.

**2.14 KBC Bank Group financial statements are in part based on assumptions and estimates which, if inaccurate, could have an impact on its reported results or financial position**

KBC Bank Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position.

The preparation of financial statements in accordance with EU-IFRS requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, impairment and valuation of available-for-sale investments, calculation of income and deferred tax, fair value of financial instruments, valuation of goodwill and intangible assets, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to KBC Bank Group, beyond that anticipated or provided for, which could have an adverse effect on its business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that KBC Bank Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in KBC Bank Group's financial statements.

The further development of standards and interpretations under EU-IFRS could also significantly affect the results of operations, financial condition and prospects of KBC Bank Group.

**2.15 KBC Bank Group is exposed to the risk of breaches of regulatory and compliance-related requirements in connection with the exercise of its business activity, such as provisions for limitation of money laundering**

The possibility of inadequate or erroneous internal and external work processes and systems, regulatory problems, breaches of compliance-related provisions in connection with the exercise of business activities, such as rules to prevent money laundering, human errors and deliberate legal violations such as fraud cannot be ruled out. KBC Bank Group endeavours to hedge such risks by implementing appropriate control processes tailored to its business, the market and regulatory environment in which it operates. Nevertheless, it is possible that these measures prove to be ineffective in relation to particular or all operational risks to which KBC Bank Group is exposed. Even though KBC Bank Group endeavours to insure itself against the most significant operational risks, it is not possible to obtain insurance cover for all the operational risks on commercially acceptable terms on the market. Should one, some or all of the risks described in this paragraph materialise, KBC Bank Group business, results of operations and financial condition could be materially adversely affected.

**2.16 Litigation or other proceedings or actions may adversely affect KBC Bank Group's business, financial condition and results of operations**

KBC Bank Group's business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, administrative proceedings, regulatory actions or other litigation. Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability related to such liability risks, to evaluate the outcome of such litigation or the time when such liability may materialise. Management makes estimates regarding the outcome of legal, regulatory and arbitration matters and creates provisions when losses with respect to such matters are deemed probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, possible defences and previous experience in similar cases or proceedings. Legal proceedings with remote or non quantifiable outcomes are not provided for and KBC Bank Group may be required to cover litigation losses which are not covered by such provision, including for example series of similar proceedings. As a result, there can be no assurance that provisions will be sufficient to fully cover the possible losses arising from litigation proceedings and KBC Bank Group cannot give any assurance that a negative outcome in one or more of such

proceedings would not have a material adverse effect on KBC Bank Group's business, results of operations or financial condition.

Furthermore, plaintiffs in legal proceedings may seek recovery of large or indeterminate amounts or other remedies that may affect KBC Bank Group's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. Also, the cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of its services, regardless of whether the allegations are valid or whether they are ultimately found liable. See Section "*Description of the Guarantor*", subsection "*Litigation*" below for further information.

As a result, litigation may adversely affect KBC Bank Group's business, financial condition and results of operations.

**2.17 KBC Bank Group is exposed to risks on account of pension obligations**

KBC Bank Group has various pension obligations towards its current and former staff. These obligations therefore entail various risks which are similar to, amongst others, risks in a life insurance company and risks involving a capital investment. Risks, however, may also arise due to changes in tax or other legislation, and/or in judicial rulings as well as inflation rates or interest rates. Any of these risks could have a material adverse effect on KBC Bank Group's business, results of operations and financial condition.

**2.18 KBC Bank Group is responsible for contributing to compensation schemes and subject to special bank taxes**

Like other credit institutions, KBC Bank Group is required to make contributions to national resolution funds based on a number of criteria, including the amount of its deposit taking. In addition, KBC Bank Group will in the future be required to make contributions to the European Single Resolution Fund which was established pursuant to the SRM and which is to be built up with contributions of the banking sector to ensure the availability of funding support for the resolution of credit institutions. The overall aim of the SRM is to ensure an orderly resolution of failing banks with minimal costs to taxpayers and the real economy. Moreover, KBC Bank Group is also subject to special bank taxes which have been introduced after the financial crisis and which have been increased in recent years.

Any levies, taxes or funding requirements imposed on KBC Bank Group pursuant to the foregoing or otherwise in any of the jurisdictions where it operates could have a material adverse effect on KBC Bank Group′s business, financial condition and results of operations.

**2.19 KBC Bank Group is subject to increasingly onerous minimum regulatory capital and liquidity requirements**

As a licensed credit institution, KBC Bank Group is subject to the capital requirements and capital adequacy ratios of CRD IV, which implements the Basel III capital requirements. These include a capital conservation buffer and, in certain circumstances, a systemic buffer and/or a countercyclical buffer which come on top of the minimum requirements. These additional requirements are being gradually phased in and have an impact on KBC Bank Group and its operations, as it imposes higher capital requirements.

KBC Bank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under CRD IV, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Accordingly, banks could be required to raise additional capital if they were to incur losses or asset impairments. Any such further capital increases may be difficult to achieve or only be raised at high costs in the context of adverse market circumstances.

Any failure of KBC Bank Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions or it ultimately being subject to any resolution action (including bail-in), which in turn is likely to have a material adverse impact on KBC Bank Group's results of operations. A shortage of available capital may restrict KBC Bank Group's opportunities for expansion.

Under CRD IV, KBC Bank Group will also become subject to liquidity requirements and a leverage ratio (which compares Tier 1 capital to total assets) in the future.

**2.20 KBC Bank Group could become subject to the exercise of "bail-in" powers or other resolution powers by the Resolution Authority. The potential impact thereof is inherently uncertain, including in certain significant stress situations**

RRD, which was adopted in May 2014 and implemented in the Banking Law, provides common tools and powers to supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the RRD include a "bail-in" power and a statutory "write-down and conversion power". These are the power to write down the claims of unsecured creditors (including the rights of Noteholders) of a failing institution in order to recapitalise the institution by allocating losses to its shareholders and unsecured creditors, or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in power is applicable to all eligible liabilities as defined in the RRD. Pursuant to Article 44 (2) of the RRD, certain liabilities of credit institutions are, however, excluded from the scope of the "eligible liabilities" and therefore not subject to the bail-in. The bail-in power was introduced with effect on 1 January 2016 and comes in addition to the write-down and conversion power applicable to additional Tier 1 and Tier 2 capital instruments, which is to be exercised before or at the latest concurrently with (but immediately prior to) the exercise of any resolution power (including the bail-in power).

Under the Banking Law, substantial powers have been granted to the NBB, the SSM and the SRM in their capacity as supervisory authority and resolution authority. These powers enable the Resolution Authority to deal with and stabilise credit institutions (including the Guarantor) that are failing or are likely to fail. In line with RRD, the resolution regime will enable the Resolution Authority to: (i) transfer all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer all or part of the business of the relevant entity to a "bridge bank"; and (iii) obtain the temporary public ownership of the relevant entity. Moreover, competent supervisory and resolution authorities are entrusted with broad early intervention powers and institutions will be required to draw up recovery and resolution plans and demonstrate their resolvability.

Moreover, in order to make the bail-in power effective, RRD and the Banking Law provide that credit institutions (including the Guarantor) will at all times have to meet a minimum requirement for own funds and eligible liabilities ("**MREL**") so that there is sufficient capital and liabilities available to stabilise and recapitalise failing credit institutions. These requirements are being gradually phased in. Certain aspects relating to, amongst others, the types of liabilities that will be subject to the bail-in powers and the manner in which they will be computed still need to be further implemented by means of technical standards. It is also not entirely clear at this stage whether and to what extent the approach set out by the Financial Stability Board in respect of the Total Loss-Absorbing Capacity ("**TLAC**") for global systemically important banks ("**G-SIBs**") will be adopted in respect of MREL, including in relation to the sanctions that would apply in the case of an institution's failure to comply with MREL. However, it is possible that a failure to meet MREL requirements would be treated in the same manner as a failure to meet minimum regulatory capital requirements. Accordingly, any failure to comply may have a material adverse effect on KBC Bank Group's business and results of operation.

As these are new rules and there are still a number of important implementation rules that need to be adopted under CRD IV, RRD and the Banking Law, considerable uncertainty remains about the potential effect thereof on the business and operations of KBC Bank Group and how the authorities may choose to exercise the powers afforded to them under such rules. This also applies to the exercise of certain discretions accorded by the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) which may in the future be interpreted in a different manner by the ECB than the NBB.

**2.21 Belgian bank recovery and resolution regime**

RRD has been transposed into Belgian law as from 6 March 2015. Under the Belgian bank recovery and resolution regime, the supervisory and resolution authorities (which includes the Resolution Authority) are able to take a number of measures in respect of any credit institution it supervises if deficiencies in such credit institution's operations are not remedied. Such measures include the appointment of a special commissioner whose consent is required for all or some of the decisions taken

by all the institution's corporate bodies; the imposition of additional requirements in terms of solvency, liquidity, risk concentration and the imposition of other limitations; limitations on variable remuneration; the complete or partial suspension or prohibition of the institution's activities; the requirement to transfer all or part of the institution's participations in other companies; the replacement of the institution's directors or managers; the revocation of the institution's licence; and the right to impose the reservation of distributable profits, or the suspension of dividend distributions or interest payments to holders of additional Tier 1 capital instruments.

Furthermore, the lead regulators can impose specific measures on important financial institutions (including the Guarantor, and whether systemic or not), when the Resolution Authority is of the opinion that (a) such financial institution has an unsuitable risk profile or (b) the policy of the financial institution can have a negative impact on the stability of the financial system.

These new regulations confer wide-ranging powers on competent authorities to intervene and to alter an institution's business, operations and capital markets and debt structure which could have significant consequences on KBC Bank Group's profitability, operations and financing costs. As these are new rules and as there remain a number of important implementing measures that still need to be adopted, there is considerable uncertainty about the potential effect thereof on the business and operations of the Guarantor and how the authorities may choose to exercise the powers afforded to them under such laws and regulations.

**2.22 KBC Bank Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium**

KBC Bank Group conducts the vast majority of its business in the European Union. Part of that business has led to an exposure by KBC Bank Group towards various countries in the European Union, including certain countries which have come under market pressure in the past few years and which have not yet fully recovered from the effects of the financial crisis. As the overall environment remains challenging, with growth projected to remain weak, it cannot be excluded that political, economic and financial developments in certain European countries could put pressure on their ability to meet their obligations vis-à-vis their creditors, including KBC Bank Group. If any such sovereign risk were to materialise, KBC Bank Group's business, financial condition and results of operation could be materially adversely affected. See further "*Description of the Guarantor – Risk Management – Sovereign debt exposure*".

## GENERAL RISK FACTORS RELATING TO THE NOTES

## 3 General risks associated with the Notes

### 3.1 The Notes may not be a suitable investment for all investors

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all information contained in the applicable Final Terms;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal and/or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices, interest rates and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Each of the risks highlighted below could adversely affect the trading price of any Notes or the rights of investors under any Notes and, as a result, investors could lose some or all of their investment. Each of the Issuer and the Guarantor believes that the factors described below represent the key risks inherent in investing in Notes issued under the Programme, but the Issuer and/or the Guarantor may be unable to pay or deliver amounts on or in connection with any Notes for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein and any supplement thereto) and reach their own views prior to making any investment decision.

In addition an investment in Index Linked Notes, Equity Linked Notes, Inflation Linked Notes, Currency Linked Notes, Fund Linked Notes, Credit Linked Notes, Commodity Linked Notes (each as defined below) or other Notes linked to one or more interest rate, index/indices, equity security, inflation index, commodities, commodity indices, fund interest, credit of one or more specified entities and/or currency, may entail significant risks not associated with investments in a conventional debt security, including but not limited to, the risks set out in Section 8 Risks related to the structure of a particular issue of Notes set out below.

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

**3.2 Noteholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of "bail-in" powers by the Resolution Authority**

The recovery and resolution directive RRD which was adopted in May 2014 provides common tools and powers to the supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers granted to the Resolution Authority under RRD include a "bail-in" power, which gives such authorities the power to write down the claims of unsecured creditors (including the rights of Noteholders) of a failing institution. The resolution powers further include the ability for the resolution authorities to force, in certain circumstances of distress, the sale of a credit institution's business or its critical functions, the separation of assets, the replacement or substitution of the credit institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

The bail-in power enables the Resolution Authority to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors (including the Noteholders) in a manner that ought to respect the hierarchy of claims in an insolvency of a relevant financial institution, consistent with the treatment they would receive in an insolvency. Accordingly, holders of unsubordinated unsecured debt (including the Notes) should in principle only be required to absorb losses after shareholders and holders of tier one and tier two securities and any other subordinated creditors.

The conditions for use of the bail-in power are, in summary, that (i) the regulator determines that the bank is failing or likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the bank's failure and (iii) the relevant resolution authority determines that it is in the public interest to exercise the bail-in power. The institution will be deemed to fail or likely to fail

if: (i) the institution infringes or is likely to infringe applicable regulation (including capital requirements), (ii) the assets of the institution are or are likely in the near future to be less than its liabilities, (iii) the institution is or is likely in the near future to be unable to pay its debts as they fall due and/or (iv) the institution requires public financial support (except when the Member State decides to provide exceptional public support in the form defined in RRD). RRD further specifies that governments will only be entitled to use public money to rescue credit institutions if a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in.

Importantly, certain liabilities of credit institutions will be excluded from the scope of the "eligible liabilities" and therefore not subject to bail-in. These include covered deposits, secured liabilities (including covered bonds) as well as certain debt with maturities of less than 7 days and certain other liabilities. All other liabilities (including the Notes) will be deemed "eligible liabilities" subject to the statutory bail-in powers. Certain aspects of the eligible liabilities that will be subject to the bail-in powers need to be further implemented by means of technical standards. There can be no assurance that the existence of applicable loss absorption provisions or the taking of any actions currently contemplated or as finally reflected in such provisions would not materially adversely affect the price or value of a holder's investment in the Notes and/or the ability of the Issuer or the Guarantor to satisfy its obligations under the Notes or the Guarantee.

Moreover, the determination that all or part of the principal amount of any series of Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of KBC Bank's control. This determination will also be made by the Resolution Authority and there may be many factors, including factors not directly related to the Issuer or KBC Bank Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of such bail-in powers may occur. Accordingly, trading behaviour in respect of the Notes is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the Notes should consider the risk that a Noteholder may lose all of its investment, including the principal amount plus any accrued and unpaid interest, if such statutory loss absorption measures are acted upon or that the Notes may be converted into ordinary shares. Noteholders may have limited rights or no rights to challenge any decision to exercise such powers or to have that decision reviewed by a judicial or administrative process or otherwise.

### 3.3 Unsecured and unsubordinated obligations

All Notes will represent direct, unconditional, unsecured and unsubordinated obligations of the Issuer. All Notes will rank without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer, save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding-up may give preference to any of such other obligations.

All Notes will constitute "eligible liabilities" which could be subject to statutory "bail-in" in case any resolution action were to be taken in relation to the Group (see risk factor 3.2).

Furthermore, it should be noted that the Banking Law introduced (i) a general lien on movable assets ("*algemeen voorrecht op roerende goederen*"/"*privilège général sur biens meubles*") for the benefit of the deposit guarantee fund ("*garantiefonds voor financiële diensten*"/"***fo****nds de garantie pour les services financiers*") as well as (ii) a general lien on moveable assets for the benefit of natural persons and small and medium-sized enterprises for deposits exceeding EUR 100,000. These general liens entered into force on 3 March 2015. These general liens could have an impact on the recourse that Noteholders would have on the estate of the Guarantor in the case of an insolvency as the claims which benefit from a general lien will rank ahead of the claims of the Noteholders. The Banking Law requires nevertheless Belgian credit institutions (including the Guarantor) to have sufficient unencumbered assets to meet claims of depositors as set out in Article 110, §2, indent 2 of the Banking Law.

### 3.4 The Issuer and the Guarantor are not prohibited from issuing additional debt

There is no restriction on the amount of debt that the Issuer or Guarantor may issue, which may rank *pari passu* with the obligations under the Notes or the Guarantee. The issue of any such debt

or securities may reduce the amount recoverable by investors upon the Issuer's or Guarantor's bankruptcy. If the Issuer's or the Guarantor's financial condition were to deteriorate, the holders could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer or the Guarantor were liquidated (whether voluntarily or involuntarily), the holders could suffer loss of their entire investment.

### 3.5 Conflicts of interest

The Agent, some of the Dealers and their affiliates have engaged in, and may in the future engage in, commercial dealings in the ordinary course of business with the Issuer, the Guarantor or any of their affiliates (including, but not limited to, lending, depositary, risk management, advisory and banking relationships). They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer, the Guarantor and their affiliates may have existing or future business relationships with any Reference Item(s) and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Noteholder.

Potential investors should also be aware that the Issuer is a wholly-owned subsidiary of the Guarantor and that the Guarantor may act as Dealer, and that the interests of KBC Bank NV and the Issuer may conflict with the interests of the holders of Notes. Moreover, the holders of Notes should be aware that KBC Bank NV, acting in whatever capacity, will not have any obligations vis-à-vis the holders of any Notes and, in particular, will not be obliged to protect the interests of the holders of any Notes.

Where the Issuer or the Guarantor acts as Calculation Agent or the Calculation Agent is an Affiliate of the Issuer or the Guarantor, potential conflicts of interest may exist between the Calculation Agent and Noteholders. The Calculation Agent is entitled to carry out a series of determinations which affect the Notes. Such determinations could have an adverse effect on the value of the Notes and on the amounts payable to investors under the Terms and Conditions of the Notes (the "**Conditions**"), whether in the case of interest payments or redemption payments following an early redemption event or at maturity, in each case giving rise to a potential conflict of interest in respect of the interests of the Noteholders. See also risk factors 3.8, 3.9, 5.1 (iv); 5.2 (iii) , 5.3 (iv), 5.4 (iii), 5.5 (iv), 5.7 (iii), 7.2, 8.6, 8.9 and 8.10.

Potential conflicts of interest may arise in connection with Notes that are offered to the public, as any distributors or other entities involved in the offer and/or the listing of such Notes as indicated in the applicable Final Terms, will act pursuant to a mandate granted by the Issuer and can receive commissions and/or fees on the basis of the services performed in relation to such offer and/or listing.

The Issuer, the Guarantor and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Item (as defined under paragraph 4.5 below) that is or may be material in the context of the Notes and may or may not be publicly available to Noteholders. Subject to any applicable laws and regulations, there is no obligation on the Issuer, the Guarantor or any Dealer to disclose to Noteholders any such information.

### 3.6 Early Redemption due to Taxation

If Condition 14(*a*) applies, the Issuer may redeem all of the Notes in accordance with Condition 5(*b*) if, for reasons outside its control, it or the Guarantor would be unable after taking reasonable measures available to it to make payments of principal or Interest Amounts under the Notes or

payments in respect of the Guarantee without having to pay additional amounts as a result of any change in, or amendment to, amongst other things, the laws or regulations of the Grand Duchy of Luxembourg or Belgium, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes. Notes redeemed pursuant to Condition 5(*b*) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**3.7 Early redemption due to Illegality or Change in Law**

In the event that the Calculation Agent determines that the performance of the Issuer's obligations under the Notes or, as the case may be, the Guarantor's obligations under the Guarantee or that any arrangements made to hedge the Issuer's obligations under such Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part, the Issuer may redeem all, but not some only, of the Notes at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**3.8 Early Redemption Amount of Notes**

The Notes may be redeemed and cancelled earlier than the date scheduled for redemption due to taxation, illegality or change in law, or for various other reasons depending on the particular structure and/or features of the Notes (see below). Notes, other than Zero Coupon Notes, Autocall Notes redeeming early following satisfaction of the Autocall Condition or Notes being redeemed following an Issuer Call (in respect of which, see below), will be redeemed at their applicable Early Redemption Amount, which will be (i) the Fixed Early Redemption Amount or the product of the Fixed Early Redemption Percentage and the nominal amount, as specified in the applicable Final Terms, together with accrued but unpaid interest if "Including Interest" is specified to be applicable in the applicable Final Terms or (ii) if no Fixed Early Redemption Amount or Fixed Early Redemption Percentage is specified in the applicable Final Terms, the fair market value thereof on the date of redemption, including accrued interest (if any), adjusted to account fully for any losses, expenses and costs to the Issuer (or any of its Affiliates) of unwinding any underlying or related hedging and funding arrangements, all as determined by the Calculation Agent.

The Early Redemption Amount may be less than the nominal amount of such Note, and may not be sufficient such that if an investor were to reinvest such amount, it would, on the scheduled redemption date, be worth an amount equal to the nominal amount of such Note.

**3.9 Modification**

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

The Conditions also provide that the Agent and the Issuer may agree, without the consent of the Noteholders to any modification (subject to certain specific exceptions) of the Agency Agreement (as defined under "*Terms and Conditions of the Notes*") which is not prejudicial to the interests of the Noteholders or any modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Guarantee or the Deed of Covenant (as defined under "*Form of the Notes*") which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

**3.10 EU Savings Directive – Common Reporting Standard**

Under Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), 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 their jurisdiction to (or secured by such person for the benefit of) 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, Austria instead (unless during that period it elects otherwise) operates 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) subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld.

A number of non-EU countries (including Switzerland), and certain dependent or associated territories of certain EU Member States have adopted similar measures to the Savings Directive (either provision of information or a withholding system; a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in an EU Member State. In addition, the EU Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in an EU Member State to, or collected by such a person for, an individual resident in one of those territories.

On 24 March 2014, the Council of the European Union adopted a Directive amending the Savings Directive (the "**Amending Directive**"), which, when implemented, will amend and broaden the scope of the requirements described above. In particular, the Amending Directive will broaden the circumstances in which information must be provided or tax withheld pursuant to the Savings Directive, and will require additional steps to be taken in certain circumstances to identify the beneficial owner of interest (and other income) payments. EU Member States have until 1 January 2016 to adopt national legislation necessary to comply with this Amending Directive, which legislation must apply from 1 January 2017.

The exchange of information is, in the near future, expected to be governed by the Common Reporting Standard ("**CRS**") and is in a significant number of countries already governed by the CRS. On 29 October 2014, 51 jurisdictions indeed signed the multilateral competent authority agreement ("**MCAA**"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 40 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (early adopters).

Under CRS, financial institutions resident in a CRS country would be required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("**DAC2**"), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

On 10 November 2015, the Council of the European Union adopted a Directive which repealed the EU Savings Directive with effect from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). This is to prevent overlap between the EU Savings Directive and the new automatic exchange of information regime provided under DAC2.

On 27 May 2015 the European Union and Switzerland signed a protocol amending their existing Savings agreement and transforming it into an agreement on automatic exchange of financial account information based on the CRS. The revised agreement also takes into account the provisions of the aforementioned Amending Directive. The existing EU-Switzerland Savings agreement will continue to be operational until 31 December 2016. From 1 January 2017, financial institutions in the EU and Switzerland will commence the due diligence procedures envisaged under the new Agreement to identify customers who are reportable persons, i.e. for Switzerland, residents of any EU Member State. By September 2018, the national authorities will report the financial information to each other.

If a payment were to be made or collected through a paying agent in Austria before the end of the transitional period or the implementation of the rules provided under DAC2 or in certain third countries or dependent associated territories of certain Member States 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 Note 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 Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### 3.11 Financial Transaction Tax

The European Commission published a proposal for a Directive for a common financial transaction tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovak Republic. In December 2015, Estonia withdrew from the group of states willing to introduce the FTT (the "**Participating Member States**").

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain transactions related to the Notes (including secondary market transactions) in certain circumstances.

The proposed FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the proposed FTT remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. Additional Member States may decide to participate.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the FTT.

### 3.12 Change of law

The Notes and the Guarantee will be governed by English law, except for Condition 2(*c*) of the Notes and Clause 6 of the Guarantee (and any non-contractual obligations arising therefrom or in connection therewith) which shall be governed by Belgian law. No assurance can be given as to the impact of any possible judicial decision or change to English law or Belgian law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

In addition, any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes). Any such change may have an adverse effect on a Noteholder, including that the Notes may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected Noteholder may be less than otherwise expected by such Noteholder.

### 3.13 Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination in order to (i) receive a definitive Note in respect of such holding (should definitive Notes be printed) or (ii) be able to transfer its Notes (subject in all cases to the rules and procedures of the relevant clearing system).

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

### 3.14 No taxation gross-up on certain issues of Notes

If Condition 14(*b*) is specified as applicable in the applicable Final Terms, 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, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer or, as the case may be, the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

Such Notes will not have the benefit of a gross up provision in respect of withholding taxes and deductions, meaning that Noteholders will take the risk of any applicable withholding taxes or deductions.

### 3.15 U.S. Foreign Account Tax Compliance Withholding

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

Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required with respect to foreign passthru payments or payments of gross proceeds from the disposition of Notes that generate Dividend Equivalent Payments pursuant to FATCA or an IGA, such withholding would not apply prior to 1 January 2019. For a Note that produces withholdable payments solely because the Note is treated as giving rise to Dividend Equivalent Payments, FATCA withholding generally will not apply if the Note is outstanding at any point prior to six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents, unless the Note is matierally modified after such date.

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

### 3.16 Potential U.S. withholding on Dividend Equivalent Payments

U.S. Treasury regulations that apply to "dividend equivalent" payments may require withholding in respect of the Notes acquired by a non-U.S. person in certain circumstances. Please see the discussion under "*Taxation - U.S. Withholding on Dividend Equivalent Payments*." As discussed above, FATCA would impose withholding at a rate of 30 per cent. on any payments in respect of a Note that are treated as Dividend Equivalent Payments when paid to persons that fail to meet certain certification, reporting, or related requirements. While a payment with respect to a Note could be subject to U.S. withholding both under FATCA and as a result of being treated as a Dividend Equivalent Payment, the maximum rate of U.S. withholding on such payment would not exceed 30 per cent.

The rules governing the U.S. withholding tax on Dividend Equivalent Payments are particularly complex and significant aspects of when and how these rules apply remain unclear. Each potential investor should consult its own tax advisors to obtain a more detailed explanation of these rules. In

the event withholding applies, the Issuer will not be required to pay any additional amounts with respect to amounts withheld.

### 3.17 Taxation

Potential purchasers and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are transferred and/or any relevant assets are delivered.

Potential investors cannot solely rely upon the tax summary contained in this Base Prospectus or any Supplement.

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.

### 3.18 Hedging

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

### 3.19 Notes in new global note form

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note. If so specified in the applicable Final Terms, the Notes may be issued in new global note ("**NGN**") form.

The NGN form has been introduced to allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

### 3.20 Rounding adjustments

Investors should note that for purposes of calculating any Interest Amount or any Redemption Amount (including an Autocall Redemption Amount) (i) in respect of any calculations required, unless otherwise specified, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded upwards) and (ii) monetary amounts will always be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.0005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards. Further, where Notes are represented by a Global Note, Interest Amounts and Redemption Amounts shall be calculated by reference to the aggregate outstanding nominal amount of such Global Note, rather than per Calculation Amount, and rounded accordingly. As a result of such rounding, any such Interest Amounts and Redemption Amounts that are based on Reference Items may not entirely track the performance, price or level of the relevant Reference Item.

## 4 Additional risks with respect to specific types of Notes

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

Notes may or may not bear interest. Interest Amounts and Redemption Amounts may be determined on a number of different bases and Notes may accrue separate Interest Amounts determined by reference to different methodologies (each, as specified in the applicable Final Terms, an "**Interest Basis**"). An investor's return on its investment in the Notes will depend, among other things, on the Interest Amounts and Redemption Amounts payable thereon.

### 4.1 Zero Coupon Notes

Except where the Notes bear interest on a separate Interest Basis or are redeemed early, Zero Coupon Notes will bear no interest and an investor will receive no return on the Notes until redemption. Any investors holding these Notes will be subject to the risk that if the Notes are redeemed prior to their Maturity Date, an investor may not be able to reinvest the Amortised Face Amount (see below) so as to receive returns equivalent to the Final Redemption Amount that would, absent such early redemption, have been paid on the Maturity Date.

In general, the prices at which Zero Coupon Notes trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest-bearing Notes. The longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

Zero Coupon Notes are also subject to different early redemption and late payment provisions (see Conditions 5(*f*)(ii) and 5(*m*)). In contrast to the scenario described in risk factor 3.6 above, the Early Redemption Amount for Zero Coupon Notes will be the Amortised Face Amount, which is calculated by discounting back to the relevant date of payment the amount that would otherwise have been payable at maturity, using the Amortisation Yield on an annual or semi-annual compounded basis (depending on what is specified in the applicable Final Terms).

### 4.2 Fixed Rate Notes

Fixed Rate Notes will bear interest at one or more fixed Rates of Interest, each of which will remain constant during the specified Interest Periods.

Fixed Rate Notes are subject to the risk that market interest rates increase (or fall insufficiently) during the life of the Notes with the consequence that the real return on the fixed rate element of such Notes, and the value of the Notes, may fall. Even if the Notes provide for the fixed Rate of Interest to increase during their term, any periodic increases may not keep pace with any increase in market interest rates. If the Notes provide for the fixed Rate of Interest to decrease during their term, investors are subject to the risk that the revised Rate of Interest will be below the then prevailing market interest rates and, even where market interest rates are falling, the reduction in the Rate of Interest on the Notes may be greater than any reduction in market interest rates.

The yield specified for Fixed Rate Notes is calculated at the Issue Date on the basis of the Issue Price, the fixed rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes. Investors should note that this is not an indication of future yield unless the Notes are held until the Maturity Date.

### 4.3 The Issuer may issue Exempt Notes

The Issuer may issue Notes which do not require the publication of a prospectus in accordance with the Prospectus Directive ("**Exempt Notes**") under the Base Prospectus. Exempt Notes may be subject to other terms and conditions than the ones specified in the Base Prospectus and the Final Terms.

Investors should note that any information in connection with the issue of any Exempt Notes, will not be reviewed nor approved by the CSSF or any other competent authority.

Exempt Notes might be more complex and volatile than PD Notes.

Investors should carefully consider the additional risks in relation to Exempt Notes and seek professional advice as to whether or not Exempt Notes are a suitable investment in light of their investment portfolio.

### 4.4 Floating Rate Notes

Floating Rate Notes bear interest calculated by reference to a floating Rate of Interest (a "**Reference Rate**"), which will be subject to market fluctuations in that Reference Rate. Such Reference Rates may be subject to fallbacks if the relevant rate is not published (see Conditions 3(*b*)(ii)(A) and 3(*b*)(ii)(B)). Payments on the Notes may be delayed, or be of a lower quantum than expected, as a result.

If a maximum yield is specified for Floating Rate Notes, such maximum yield will be calculated at the Issue Date on the basis of the Issue Price, the maximum floating rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes.

If a minimum yield is specified for Floating Rate Notes, such minimum yield will be calculated at the Issue Date on the basis of the Issue Price, the minimum floating rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes.

The amount of interest payable on Floating Rate Notes will depend on which of the following Interest Variable Options is applicable: "ISDA Determination", "Screen Rate Determination", "Rates Variance", "Asian Option – Interest Rates" or "Digital Option".

**(i)** ***ISDA Determination***

If "ISDA Determination" is applicable, the Variable Rate of Interest to be applied will be based on the relevant ISDA Rate, plus or minus the Margin (if any), after application of the Interest Multiplier (if any) to the resulting amount (see risk factor 8.3 below). Such Variable Rate of Interest will be capped at any specified Maximum Rate of Interest (see risk factor 8.4 below). In any case, the Variable Rate of Interest may be lower than market interest rates and lower than the rate of interest then payable by the Issuer on other floating rate securities.

**(ii)** ***Screen Rate Determination***

If "Screen Rate Determination" is applicable, the Variable Rate of Interest to be applied will be based on the relevant benchmark Reference Rate, plus or minus the Margin (if any), after application of the Interest Multiplier (if any) to the resulting amount (see risk factor 8.3 below). Such Variable Rate of Interest will be capped at any specified Maximum Rate of Interest (see risk factor 8.4 below). In any case, the Variable Rate of Interest may be lower than market interest rates and lower than the rate of interest then payable by the Issuer on other floating rate securities.

**(iii)** ***Rates Variance***

If "Rates Variance" is applicable, the Variable Rate of Interest to be applied will depend whether (i) the relevant value for $Rate_1$ (which may be a fixed percentage or based on a benchmark Reference Rate) is greater or less than (ii) the product (the "**Variance Hur**dle") of the relevant value for $Rate_2$ (which may be based on a benchmark Reference Rate or be a fixed percentage) and the applicable Scaling Factor (see risk factor 8.7).

Where the Interest Multiplier is positive, if the relevant value for $Rate_1$ does not exceed the Variance Hurdle, no Interest Amount will be payable in respect of such Interest Period unless the shortfall is less than any positive Margin applicable to the Notes. Even if the relevant value for $Rate_1$ does exceed the Variance Hurdle, such excess must be greater than any negative Margin for an Interest Amount to be payable.

Conversely, where the Interest Multiplier is negative, if the relevant value for $Rate_1$ exceeds the relevant Variance Hurdle, no Interest Amount will be payable in respect of such Interest Period unless the excess is greater than any negative Margin applicable to the Notes. Even if the relevant value for $Rate_1$ does not exceed the Variance Hurdle, the value of such shortfall must be greater than any positive Margin for an Interest Amount to be payable.

Subject to the relevant Interest Multiplier and Margin, the relevant performance of the rates shall affect the amount of interest, if any, payable to Noteholders. In any case, the Variable Rate of Interest may be lower than market interest rates and lower than the rate of interest then payable by the Issuer on other floating rate securities.

**(iv)** ***Digital Option***

If "Digital Option" is applicable, investors should consider risk factor 7.3 in connection with this risk factor 4.4.3.

**(v)** ***Asian Option – Interest Rates***

If "Asian Option – Interest Rates" is applicable, investors should consider risk factor 7.2 in connection with this risk factor 4.4.

The Final Terms may also specify specific redemption features. In case "Issuer Call" is specified, please see risk factor 8.8. In case "Index Linked Redemption" is specified, please see risk factor 5.1. In case "Equity Linked Redemption" is specified, please see risk factor 5.2. In case "Inflation Linked Redemption" is specified, please see risk factor 5.3. In case "Currency Linked Redemption" is specified, please see risk factor 5.4. In case "Commodity Linked Redemption" is specified, please see risk factor 5.6. In case "Credit Linked Note" is specified, please see risk factor 5.7. In case "Partly Paid" is specified in the Final Terms, please see risk factor 8.5.

## 4.5 Range Accrual Notes

Range Accrual Notes will bear interest at a fixed or floating rate on each day within the relevant Interest Period for which the specified Range Accrual Condition is satisfied. Given the potential fixed or floating rate of interest that is payable, the risks outlined in risk factors 4.2 and 4.4 above apply to Range Accrual Notes. In addition, certain risks arise in connection with the particular Range Accrual Condition that applies to such Notes.

The quantum of the Interest Amount will depend on the number of days in the relevant Interest Period (N) on which the "Reference Spread" fixes at a level which satisfies the parameters for the applicable Range Accrual Condition (see Condition 3(*c*)(iii)). Such parameters will be set by reference to a specified Lower Threshold and, in certain cases, Upper Threshold. If the Reference Spread does not fix at a level satisfying the Range Accrual Condition on any of those days, then N will be zero and no Interest Amounts will be payable for such Interest Period. If N is greater than zero, then the applicable Range Accrual Rate of Interest will be the product of a multiplier (equal to N divided by the actual number of calendar days in such Interest Period (A)) and the specified fixed or floating rate, but capped at any specified Maximum Rate of Interest (see risk factor 8.4 below).

The "Reference Spread" (which could be negative) will be the spread of Variable 1 (based on a benchmark Reference Rate) over Variable 2 (which will be a benchmark Reference Rate or otherwise specified to be zero). Consequently, the accrual of interest on Range Accrual Notes on any day (in other words, the value of N for any Interest Period) will depend on how the performance of Variable 1 (or, if Variable 2 is not zero, the relative performance of Variable 1 against Variable 2) compares with the parameters of the Range Accrual Condition. Small movements in the Reference Spread may, therefore, have very large effects on the value of the Notes and the amount of interest to be paid.

Range Accrual Notes may not accrue interest for extended periods of time, if at all. Range Accrual Notes may pay significantly less interest than a conventional Fixed Rate or Floating Rate Note issued at the same time paying interest at a fixed or floating rate equal to the maximum potential fixed or floating rate payable on the Range Accrual Notes. This may have a detrimental effect on the market value of the Range Accrual Notes.

## 4.6 Reference Item Linked Notes

The Issuer may also issue Notes that pay Interest Amount(s) linked to an index, an underlying equity, an ETF share or a basket of underlying equities and/or ETF shares, an inflation index, a currency exchange rate, an underlying commodity or a basket of underlying commodities, a

commodity index or a basket of commodity indices, underlying fund interest and/or basket of underlying fund interests (together with a Reference Rate, each a "**Reference Item**") and/or a Redemption Amount(s) the timing and/or quantum of which is linked to a Reference Item that is an index, an underlying equity, an ETF share or a basket of underlying equities and/or ETF shares, a commodity, a commodity index, underlying fund interest and/or basket of underlying fund interests or a currency exchange rate (together "**Reference Item Linked Notes**").

Reference Item Linked Notes involve a high degree of risk and may entail significant risks not associated with investments in a conventional debt security. Reference Item Linked Notes provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the Reference Item(s) to which such Reference Item Linked Notes relate.

**If Notes are specified to be principal protected, they are principal protected only at maturity. If Notes are specified to be principal protected, such protection is nevertheless dependent on the Issuer, failing which, the Guarantor complying with its obligations with respect to the Notes. If such Notes redeem before their scheduled maturity, except in case of an Event of Default or where their Early Redemption Amount, Autocall Redemption Amount or Optional Redemption Amount (as applicable) is specified as a higher amount, they may return less than the principal protected amount or even zero. In the case of Notes paying a Redemption Amount linked to the Reference Item which are not principal protected (where the Floor % is specified as less than 100 per cent.), the amount paid by the Issuer on redemption of the Notes may be less than the nominal amount of the Notes, together with any accrued interest, and may in certain circumstances be zero. In the case of Notes which bear interest linked to one or more Reference Items, the Interest Amount(s) payable to Noteholders will be contingent on the performance of the relevant Reference Item(s) and on the structure of such Notes. Prospective investors in such Notes should note that, in certain circumstances, they may not receive any Interest Amount.**

Prospective investors in Reference Item Linked Notes should understand the risks inherent in linking the performance of the Notes to the relevant Reference Item(s) and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Reference Item Linked Notes in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Reference Item Linked Notes and the particular Reference Item(s) to which the value of, and payments in respect of, the relevant Reference Item Linked Notes may relate, as specified in the applicable Final Terms.

As the Interest Amount(s) and Redemption Amount payable periodically or at maturity may be linked to the performance of the relevant Reference Item(s), an investor in a Reference Item Linked Note must generally be knowledgeable as to, and take a view with respect to, the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s), considered in the context of the structure of such Notes.

Where the applicable Final Terms specify one or more Reference Item(s), the relevant Reference Item Linked Notes will represent an investment linked to the economic performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investment in Reference Item Linked Notes will depend upon the performance of such Reference Item(s). Potential investors should also note that whilst the market value of such Reference Item Linked Notes is linked to such Reference Item(s) and will be influenced (positively or negatively) by such Reference Item(s), any change may not be comparable and may be disproportionate. It is impossible to predict how the level of the relevant Reference Item(s) will vary over time. In contrast to a direct investment in the relevant Reference Item(s), Reference Item Linked Notes represent the right to receive payment, of periodic payments of Interest Amounts (if specified in the applicable Final Terms) and/or a Redemption Amount on the Maturity Date, all or some of which may be determined by reference to the performance of the relevant Reference Item(s).

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

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

Unless otherwise redeemed or purchased and cancelled early, there is no return on Reference Item Linked Notes other than the potential payment of the relevant periodic Interest Amounts and/or Redemption Amount on maturity.

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

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

Any information about the past performance of the Reference Item available at the time of issuance of the Notes should not be regarded as indicative of any future performance of such Reference Item, or as an indication of the range of, trends or fluctuations in the price or value of the Reference Item that may occur in the future. It is therefore not possible to predict the future value of the Notes based on such past performance.

### 4.7 Autocall Notes

Autocall Notes are a form of Reference Item Linked Note that shall be early redeemed if the parameters for the applicable Autocall Condition (see Condition 5(*e*)(iii)(I)) are satisfied in respect of any Autocall Observation Date. Such parameters will be set by reference to how the Autocall Variable (being the value or average value of the specified Reference Item to which the Autocall Notes are linked) performs against the product of (i) the Autocall Strike (being (i) a specified strike level, price or rate or (ii) a value or average value of the specified Reference Item) and the applicable Scaling Factor (see risk factor 8.7).

The Reference Items to which Autocall Notes may be linked are Index or Basket of Indices, Underlying Equity (which may be an ETF Share) or Basket of Underlying Equities (which may be or include an ETF Share) or Currency exchange rates. Prospective investors should also consider risk factor 4.6 above and the relevant sections of risk factor 5 relating to the specific Reference Item to which the Notes in which they wish to invest are linked.

Holders of Autocall Notes will receive the Autocall Redemption Amount together with any unpaid accrued interest thereon if the Autocall Condition is satisfied. The Autocall Redemption Amount shall either be a specified amount or an amount determined by reference to the performance of the relevant Reference Item over the specified observation period, subject to the application of the Scaling Factor (see risk factor 8.7) and the Autocall Multiplier (see risk factor 8.3).

Where the Autocall Redemption Amount is linked to the performance of the relevant Reference Item, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Autocall Redemption Amount could be less than the nominal amount of such Autocall Notes and investors could lose all or a significant portion of their investment.

## 5 Additional risks associated with Notes linked to a particular Reference Item

### 5.1 Index Linked Notes

#### (i) *Features*

Index Linked Interest Notes and/or Index Linked Redemption Notes may be issued under the Programme (together "**Index Linked Notes**").

The amount of interest payable on Index Linked Interest Notes will depend on which of the following Interest Variable Options is specified: "Evolution of Index", "Asian Option – Index", "Digital Option", "Single Fixing – Index" or "Asian Fixing – Index". Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

The Redemption Amount payable on Index Linked Redemption Notes is determined by reference to how the value (or, as applicable, average value) of the specified Index determined at maturity has performed when compared against the product of (i) the initial value (or, as applicable, average value) of the specified Index and (ii) the applicable Scaling Factor (see risk factor 8.7), with the result being multiplied by the relevant Index Redemption Multiplier (see risk factor 8.3). If such value at maturity is lower than the product of such initial value and the Scaling Factor, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Index Linked Redemption Notes and investors could lose all or a significant portion of their investment.

**(ii)** ***Index Sponsor not responsible***

Index Linked Notes are not in any way sponsored, endorsed, sold or promoted by the Index Sponsor of the relevant Index and the Index Sponsor makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the Index and/or the figure at which the Index stands at any particular time on any particular day or otherwise. An investor's decision to invest in the Index Linked Notes should be made without reliance on the Index Sponsor. The Index Sponsor shall not be liable (whether in negligence or otherwise) for any loss, damages, costs, charges, expenses or other liabilities including, without limitation, liability for any special, punitive, indirect or consequential damages, even if notified of the possibility of such damages to any person for any error in the Index and the Index Sponsor shall not be under any obligation to advise any person of an error therein.

**(iii)** ***Factors affecting the performance of the Index may adversely affect the value of the Notes***

An Index or a basket of Indices will comprise a synthetic portfolio of shares (or synthetic portfolio of indices linked to shares, as the case may be) and, as such, the performance of an Index or basket of Indices is dependent upon the macroeconomic factors relating to the shares that comprise such Index or Indices, which may include interest rates and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

**(iv)** ***Exposure to Index adjustments and correction of Index Levels***

The Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original index or basket of indices with another and/or to cause early redemption of the Index Linked Notes, any of which may be adverse to Noteholders in connection with an Index Modification, Index Cancellation or Index Disruption. The Calculation Agent may determine that the consequence of any such event is to make adjustments to the Index Linked Notes or to replace such Index or the value of such Index with another or to cause early redemption of the Index Linked Notes. The Calculation Agent may (subject to the terms and conditions of the relevant Index Linked Notes) also amend the relevant Reference Price (being the level of the Index) due to corrections in the level reported by the Index Sponsor.

**(v)** ***Loss of return of dividends in respect of most Index Linked Notes***

The rules governing the composition and calculation of the relevant underlying Index might stipulate that dividends distributed on its components do not lead to a rise in the Index level, for example, if it is a "price" index, which may lead to a decrease in the Index level if all other circumstances remain the same. As a result, in such cases, the Noteholders in

respect of Index Linked Notes will not participate in dividends or other distributions paid on the components comprising the Index. Even if the rules of the relevant underlying Index provide that distributed dividends or other distributions of the components are reinvested in the Index and therefore result in raising its level, in some circumstances, the dividends or other distributions may not be fully reinvested in such Index.

**(vi)** ***A change in the composition or discontinuance of an Index could adversely affect the market value of the Notes***

The Index Sponsor of any Index can add, delete or substitute the components of such Index or make other methodological changes that could change the level of one or more components. The modification of components of any Index may affect the level of such Index, as a newly added component may perform significantly worse or better than the component it replaces, which in turn may affect the payments made by the Issuer to the Noteholders. The sponsor of any such Index may also alter, discontinue or suspend calculation or dissemination of such Index. The Index Sponsor of an Index will have no involvement in the offer and sale of the Index Linked Notes and will have no obligation to any investor in such Notes. The Index Sponsor may take any actions in respect of such Index without regard to the interests of the investor in the Index Linked Notes, and any of these actions could adversely affect the market value of the Index Linked Notes.

**(vii)** ***Exposure to the risk that returns on the Index Linked Notes do not reflect direct investment in underlying equities comprising the Index***

The return payable on Index Linked Notes may not reflect the return an investor would realise if it actually owned the relevant equities comprising the components of the Index. For example, Noteholders will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant Index takes such dividends into account for purposes of calculating the relevant level. Similarly, Noteholders will not have any voting rights in the underlying equities or any other assets which may comprise the components of the relevant Index. Accordingly, Noteholders holding Index Linked Redemption Notes may receive a lower payment upon redemption of such Notes than such investor would have received if it had invested in the components of the Index directly.

## 5.2 Equity Linked Notes

**(i)** ***Features***

Equity Linked Interest Notes and/or Equity Linked Redemption Notes may be issued under the Programme (together the "**Equity Linked Notes**").

The amount of interest payable on Equity Linked Interest Notes will depend on which of the following Interest Variable Options is specified: "Evolution of Underlying Equity" or "Evolution of Basket of Underlying Equities", "Asian Option – Underlying Equity" or "Asian Option – Basket of Underlying Equities" or "Digital Option". Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

The Redemption Amount payable on Equity Linked Redemption Notes is determined by reference to how the value (or, as applicable, average value) of the specified Underlying Equity / Basket of Underlying Equities determined at maturity has performed when compared against the product of (i) the initial value (or, as applicable, average value) of the specified Underlying Equity / Basket of Underlying Equities and (ii) the applicable Scaling Factor (see risk factor 8.7), with the result being multiplied by the relevant Equity Redemption Multiplier (see risk factor 8.3). If such value at maturity is lower than the product of such initial value and the Scaling Factor, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Equity Linked Redemption Notes and investors could lose all or a significant portion of their investment.

**(ii)** ***Factors affecting the performance of the Underlying Equities may adversely affect the value of the Equity Linked Notes***

The performance of equities is dependent upon macroeconomic factors, such as interest rates and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

**(iii)** ***Determinations made by the Calculation Agent in respect of Potential Adjustment Events, other relevant events or Additional Disruption Events may have an adverse effect on the value of the Equity Linked Notes***

In case a specified Potential Adjustment Event occurs which according to the Calculation Agent has a diluting, concentrative or other effect on the theoretical value of the Underlying Equity or Equities (which may be or include an ETF Share), or where other extraordinary events occur that comprise a De-listing, Merger Event, Nationalisation, Insolvency (other than in respect of an ETF Share) and/or Tender Offer in relation to such an Underlying Equity or Equity Issuer, (i) the Calculation Agent has broad discretion (in certain cases at the direction of the Issuer) to make certain determinations to account for such event, including to make adjustments to the terms of the Equity Linked Notes and/or (ii) (in the case of such other specified extraordinary events) the Issuer may early redeem the Equity Linked Notes. Any of the abovementioned determinations may have an adverse effect on the value of the Equity Linked Notes.

**(iv)** ***No claim against the Equity Issuer of the Underlying Equities or recourse to the Underlying Equities***

Equity Linked Notes do not represent a claim against or an investment in any Equity Issuer (which includes any ETF Issuer in the content of an ETF Share) to which they are linked and Noteholders will not have any right of recourse under such Notes to any such Equity Issuer or the equities. The Equity Linked Notes are not in any way sponsored, endorsed or promoted by any Equity Issuer and such companies have no obligation to take into account the consequences of their actions for any Noteholders. Accordingly, the Equity Issuer may take any actions in respect of such Underlying Equity without regard to the interests of the Noteholders, and any of these actions could adversely affect the market value of the Equity Linked Notes.

In the case of Equity Linked Notes relating to Underlying Equities, no Equity Issuer (which includes any ETF Issuer in the content of an ETF Share) will have participated in the preparation of the relevant Conditions and/or Final Terms of the Equity Linked Notes and neither the Issuer nor any Dealer will make any investigation or enquiry in connection with such offering with respect to the information concerning any such Equity Issuer 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 documents described in this paragraph or in any relevant Final Terms) that would affect the trading price of the Underlying Equities will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an Equity Issuer could affect the trading price of the Underlying Equities and therefore the trading price of the Equity Linked Notes.

**(v)** ***Additional risks associated with ETF Shares as Underlying Equities***

*(a) Where the Underlying Equity is an ETF Share, there may be divergence from its underlying share, basket or index*

Where the Notes are linked to an ETF and the investment objective of such ETF is to track the performance of a share, basket or an index, the investors in such Notes are exposed to the performance of such ETF share rather than the underlying share, basket or index such ETF share tracks. For certain reasons, including to comply with certain tax and regulatory constraints, an ETF may not be able to track or replicate the underlying share, basket (or

any constituent thereof) or index, which could give rise to a difference between the performance of the underlying share, basket or index and such ETF share. Accordingly, investors who purchase Notes that are linked to an ETF may receive a lower return than if such investors had invested in the share, basket or the index underlying such ETF share directly.

*(b) Action by ETF Adviser, ETF Administrator or sponsor of an ETF may adversely affect the Notes*

Any relevant ETF Adviser, ETF Administrator or sponsor of an ETF will have no involvement in the offer and sale of the Notes and will have no obligation to any investor in such Notes. Any such ETF Adviser, ETF Administrator or sponsor of an ETF may take any actions in respect of such ETF without regard to the interests of the Noteholders, and any of these actions could adversely affect the market value of the Notes

## 5.3 Inflation Linked Notes

### (i) *Features*

Inflation Linked Interest Notes and/or Inflation Linked Redemption Notes may be issued under the Programme (together the "**Inflation Linked Notes**").

The amount of interest payable on Inflation Linked Interest Notes will depend on which of the following Interest Variable Options is specified: "Evolution of Inflation", "Asian Option – Inflation" or "Digital Option". Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

The Redemption Amount payable on Inflation Linked Redemption Notes is determined by reference to how the value (or, as applicable) average value of the specified Inflation Index determined at maturity has performed when compared against the product of (i) the initial value of the specified Inflation Index and the applicable Scaling Factor (see risk factor 8.7), with the result being multiplied by the relevant Inflation Redemption Multiplier (see risk factor 8.3). If such value at maturity is lower than the product of the initial value and the Scaling Factor, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Inflation Linked Redemption Notes and investors could lose all or a significant portion of their investment.

### (ii) *Inflation Index Sponsor not responsible*

Inflation Linked Notes are not in any way sponsored, endorsed, sold or promoted by the Inflation Index Sponsor of the relevant Inflation Index and the Inflation Index Sponsor makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the figure at which the Inflation Index stands at any particular time on any particular day or otherwise. An investor's decision to invest in the Inflation Linked Notes should be made without reliance on the Inflation Index Sponsor. The Inflation Index Sponsor shall not be liable (whether in negligence or otherwise) for any loss, damages, costs, charges, expenses or other liabilities including, without limitation, liability for any special, punitive, indirect or consequential damages, even if notified of the possibility of such damages to any person for any error in the Inflation Index and the Inflation Index Sponsor shall not be under any obligation to advise any person of an error therein.

### (iii) *Factors affecting the performance of the Inflation Index may adversely affect the value of the Inflation Linked Notes*

Movements in the level of the Inflation Index 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 Inflation Index may affect the actual yield to investors, even if the average level is consistent with their expectations.

Many economic and market factors may influence the value of Inflation Linked Notes including, inter alia, (i) general economic, financial, political or regulatory conditions; (ii) fluctuations in the prices of various consumer goods and energy resources; and (iii) inflation and expectations concerning inflation. Any such factors may either offset or magnify each other.

**(iv)** ***Adjustments by the Calculation Agent and corrections of certain manifest errors***

The Calculation Agent will adjust or replace the Inflation Index in accordance with Condition 8 when it determines there is a delay in the publication of the Inflation Index, a cessation of publication of the Inflation Index, a manifest error in the publication of the Inflation Index, a rebasing of the Inflation Index or a material modification prior to the relevant payment date. The Calculation Agent may (subject to the terms and conditions of the relevant Inflation Linked Notes) also amend the relevant Reference Price (being the level of the Inflation Index) due to corrections in the level reported by the Index Sponsor to remedy a manifest error within 30 days of publishing. Any corrections published thereafter will be disregarded for the purpose of the Inflation Linked Notes.

In certain circumstances where the Inflation Index has not been published or announced by the Inflation Index Sponsor for two consecutive months or such other specified period and/or an Inflation Index Sponsor announces that it will no longer continue to publish or announce such Inflation Index, the Calculation Agent may make such adjustment(s) to the Conditions as it deems necessary or appropriate to account for any such replacement. If the Calculation Agent determines that there is no appropriate alternative inflation index, the Issuer shall redeem all the Inflation Linked Notes at their Early Redemption Amount.

## 5.4 Currency Linked Notes

**(i)** ***Features***

Currency Linked Interest Notes and/or Currency Linked Redemption Notes may be issued under the Programme.

The amount of interest payable on Currency Linked Interest Notes will depend on which of the following Interest Variable Options is specified: "Evolution of Currency", "Asian Option – Currency" or "Digital Option". Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

The Redemption Amount payable on Currency Linked Redemption Notes is determined by reference to how the value (or, as applicable, average value) of the Specified Currency exchange rate determined upon issue has changed when compared against the product of (i) the value (or, as applicable, average value) of the Specified Currency exchange rate at maturity and (ii) the applicable Scaling Factor (see risk factor 8.7), with the result being multiplied by the relevant Currency Redemption Multiplier (see risk factor 8.3). If such value upon issue was lower than the product of such value at maturity and the Scaling Factor, then unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Currency Linked Redemption Notes and investors could lose all or a significant portion of their investment.

**(ii)** ***Factors affecting the performance of the relevant foreign exchange rate may adversely affect the value of the Currency Linked Notes***

The foreign exchange rate(s) to which the Notes are linked will affect the nature and value of the investment return on the Currency Linked Notes. The performance of foreign exchange rates is dependent upon the 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. Such measures include, without limitation, 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.

**(iii)** ***Market disruption***

If a Currency Disruption Event occurs, the calculation method of the Interest Amount and/or Redemption Amount (as applicable) for the Currency Linked Notes may be adjusted or the Currency Linked Notes may be early redeemed.

In case any Valuation Date on which a Reference Price is scheduled to be determined is a Disrupted Day, the Calculation Agent may in its sole and absolute discretion (i) deduct from the relevant Interest Amount and/or Redemption Amount an amount calculated by the Calculation Agent as representing the cost, expense, charge and/or deduction arising in connection with such Currency Disruption Event(s) or make any other adjustment with respect thereto; and/or (ii) postpone any date for payment of the relevant Interest Amount; and/or (iii) in the case of a "Price Source Disruption", specify and adopt an appropriate alternate fallback or alternative price or rate source or method of determination selected by the Calculation Agent in its sole discretion or a replacement of any one or more relevant currencies, as the case may be; and/or (iv) redeem all of the Currency Linked Notes at their Early Redemption Amount. Notwithstanding the above, if such a Valuation Date relates to an Averaging Payment, such Valuation Date will be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Interest Amount and/or Redemption Amount in accordance with the above unless, through operation of this provision, there would not be any Valuation Date with respect to the date for payment of the relevant Interest Amount or Redemption Amount.

**(iv)** ***The Issuer and the Guarantor are major foreign exchange dealers and are subject to conflicts of interest***

Investors should note that certain Affiliates of the Issuer are regular participants in the foreign exchange markets and in the ordinary course of their business may effect transactions for their own account or for the account of their customers and hold long and short positions in currencies and related derivatives, including in the currencies of the relevant foreign exchange rate(s). Such transactions may affect the relevant foreign exchange Rate(s), the market price, liquidity or value of the Currency Linked Notes and could be adverse to the interests of Noteholders. No Affiliate of the Issuer has any duty to enter into such transactions in a manner which is favourable to Currency Linked Notes. See risk factor 3.4.

**(v)** ***Currencies of emerging markets jurisdictions pose particular risks***

Currency Linked Notes linked to emerging market currencies may experience greater volatility and less certainty as to the future levels of such emerging market currencies or their rate of exchange as against other currencies. See risk factor 6.2.

**5.5 Fund Linked Interest Notes**

**(i)** ***Features***

Fund Linked Interest Notes may be issued under the Programme.

The amount of interest payable on Fund Linked Interest Notes will depend on which of the following Interest Variable Options is specified: "Evolution of Fund Interests" or "Evolution of Basket of Underlying Fund Interests"; "Asian Option – Basket of Underlying Fund Interests" or "Asian Option – Underlying Fund Interest" or "Digital Option". Prospective Investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

**(ii)** ***Factors affecting the performance of the underlying fund may adversely affect the value of the Fund Linked Interest Notes***

The amount of principal and/or interest payable may be determined by reference to the performance of a fund and its investments. In order to appreciate the risks deriving from the investment of the fund's assets in financial instruments, the following elements need to be considered: (i) risk associated with price changes of financial instruments held by the underlying fund; (ii) risk associated with the liquidity of the financial instruments held by the Underlying Fund; (iii) risk associated with currency denomination where the Underlying Fund has an investment in securities denominated in a currency other than that the Underlying Fund is denominated in; (iv) risk associated with the use of derivatives by the Underlying Fund.

**(iii)** ***Factors affecting the performance of the fund service providers may adversely affect the value of the Fund Linked Interest Notes***

The value of fund interests may be affected by the performance of the fund service providers, and in particular, the relevant fund adviser. No fund administrator, adviser or manager will have participated in the preparation of the applicable Final Terms or in establishing the terms and conditions of the Notes and none of the Issuer, the Guarantor and any Dealer will make any investigation or enquiry in connection with such offering with respect to the information concerning any such fund 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 of the Fund Linked Interest Notes (including events that would affect the accuracy or completeness of the publicly available documents described in this paragraph or in any applicable Final Terms) that would affect the value of the Fund Interest will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such fund could affect the value of the fund interest and therefore the trading price of the relevant Fund Linked Interest Notes.

Certain types of fund, for example, mutual 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. Mutual fund interests may be illiquid and may only be traded on an infrequent basis. Investors should carefully review the applicable Final Terms and the terms and conditions to ascertain the characteristics of any relevant fund interest. The trading strategies of these types of funds are often opaque. Such 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.

**(iv)** ***The Fund Interest may under certain circumstances by substituted or adjusted***

If a Fund Extraordinary Event or a Fund Potential Adjustment Event occurs, prospective purchasers should note that the Fund Linked Interest Notes may be subject to (A) adjustment by the Calculation Agent, (B) the substitution of the Fund Interest the subject of such an event by a replacement fund interest, selected by the Calculation Agent as further provided in the Conditions of the Fund Linked Interest Notes, or (C) the Issuer may also redeem the Fund Linked Interest Notes early at the Early Redemption Amount specified in the applicable Final Terms.

If a Disrupted Day occurs, this may have an effect on the timing of valuation and consequently the value of the Fund Linked Interest Notes and/or may delay any applicable interest payments in the case of Fund Linked Interest Notes. Prospective purchasers should review the Conditions of the Fund Linked Interest Notes and the applicable Final Terms to ascertain whether and how such provisions apply to such Notes.

The market price of Fund Linked Interest Notes may be volatile and may be affected by the time remaining to the redemption date, the volatility of the price of value of the fund interest or fund interests as well as economic, financial and political events in one or more jurisdictions.

## 5.6 Commodity Linked Notes

### (i) *Features*

Commodity Linked Interest Notes and/or Commodity Linked Redemption Notes may be issued under the Programme (together the "**Commodity Linked Notes**").

The amount of interest payable on Commodity Linked Interest Notes will depend on which of the following Interest Variable Options is specified: "Evolution of Underlying Commodity", "Evolution of Basket of Underlying Commodities", "Evolution of Commodity Index" or "Evolution of Basket of Commodity Indices"; "Asian Option – Basket of Underlying Commodities", "Asian Option – Underlying Commodity", "Asian Option – Basket of Commodity Indices" or "Asian Option – Commodity Index" or "Digital Option".

The Redemption Amount payable on Commodity Linked Redemption Notes is determined by reference to how the value (or, as applicable) average value of the specified Commodity determined at maturity has performed when compared against the product of (i) the initial value of the specified Commodity and (ii) the applicable Scaling Factor (see risk factor 8.7), with the result being multiplied by the relevant Commodity Redemption Multiplier (see risk factor 8.3). If such value at maturity is lower than the product of the initial value and the Scaling Factor, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Commodity Linked Redemption Notes and investors could lose all or a significant portion of their investment.

### (ii) *Factors affecting the performance of the Commodities or the Commodity Index may adversely affect the value of the Commodity Linked Notes*

Potential investors in any such Notes should be aware that depending on the terms of the Commodity Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal 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 price (or, as the case may be, level) of the commodity, commodity index, basket of commodities or basket of commodity 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 price (or, as the case may be, level) of the commodity, commodities, commodity index or commodity indices may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price or prices (or, as the case may be, level or levels) of the commodities or commodity indices, the greater the effect on yield.

### (iii) *Commodity futures markets are highly volatile*

Commodity futures markets are highly volatile. Commodity markets are influenced by, among other things, changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programmes and policies designed to influence commodity prices, world political and economic events, and changes in interest rates. Moreover, investments in futures and options contracts involve additional risks including, without limitation, leverage (margin is usually a percentage of the face value of the contract and exposure can be nearly unlimited). A holder of a futures position may find such position becomes illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders 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. Similar occurrences could prevent the liquidation of unfavourable positions and

subject an investor in a Commodity Linked Note linked to such contract prices to substantial losses.

**(iv)** ***The yield on Commodity Linked Notes linked to commodity futures contracts or commodity indices may not be perfectly correlated to the trend in the price of the Underlying Commodities***

The yield on Commodity Linked Notes linked to commodity futures contracts or commodity indices may not be perfectly correlated to the trend in the price of the underlying commodities as the use of such future commodity contracts generally involves a rolling mechanism. This means that the commodity futures contracts which expire prior to the relevant payment date under the relevant Commodity Linked Notes are replaced with future commodity contracts that have a later expiry date. Investors may therefore only marginally benefit from any rise/fall in prices on such Underlying Commodities.

**(v)** ***There is an imperfect correlation between the commodity spot markets and the commodity futures contracts.***

Investors should consider that the commodity futures contracts could have a trend which differs significantly from that of the commodity spot markets. The trend in the price of a commodity futures contracts compared to the underlying commodity is closely linked to the present and future level of the production of the underlying commodity or to the level of estimated natural reserves, particularly in the case of energy linked products. In addition, the price of the relevant commodity futures contract may not be considered an accurate prediction of a market price, since it also includes the so-called carrying costs (such as, for example, warehouse costs, insurance covering the goods, etc.), which also contribute toward the determination of the price of the commodity futures contracts. These factors which directly influence the commodities prices substantially explain the imperfect correlation between the commodity spot markets and the commodity futures contracts.

## 5.7 Credit Linked Notes

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

Prospective investors should note that the Credit Linked Notes differ from ordinary debt securities issued by the Issuer in that the amount of principal and interest (if any) payable by the Issuer is dependent on whether a Credit Event has occurred with respect to a relevant Reference Entity and, if so, on the value of certain obligations of such Reference Entity.

The Credit Linked Notes may redeem below par and investors may receive no or a limited amount of interest. The redemption amount may vary considerably due to market conditions and the Credit Linked Notes may in certain circumstances (for example following a default of a Reference Entity) be valued at a considerable discount to their par value or even zero and investors may therefore lose all or a substantial portion of their investment. The redemption amount is further reduced by the costs incurred by the Issuer or an Affiliate of the Issuer in redeeming the Credit Linked Notes early or terminating, obtaining or re-establishing any related funding, hedging or trading position in connection with the Credit Linked Notes as a result of a Credit Event occurring.

Investors in the Credit Linked Notes should be aware that the Credit Linked Notes may redeem early if a Credit Event has occurred and Credit Payment on Maturity does not apply, but may redeem later than the Scheduled Maturity Date pending the determination of a Credit Event or Event Determination Date or the determination of the Auction Final Price or Final Price in respect of a Credit Event. In particular, prospective investors should be aware that notes to which "Credit Payment on Maturity" applies will only pay the relevant redemption amount of such Note on the Scheduled Maturity Date (or the final Redemption Date, if later) even though the Credit Event

which leads to the calculation of the redemption amount occurs some time prior to the Scheduled Maturity Date. In certain circumstances, the Credit Linked Notes may redeem at zero.

If "Credit Payment on Maturity" applies, the occurrence of a Credit Event will not result in the early termination of the Credit Linked Notes. Investors are therefore exposed to the risk that, following the occurrence of a Credit Event, they will not receive any principal and a lower rate of interest from either the Interest Suspension Accrual Date, up to the Scheduled Maturity Date.

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

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

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

Set out below are additional factors to which prospective investors should have regard when considering an investment in the Credit Linked Notes.

**(i)** ***Independent Review and Advice***

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

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

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

Credit Linked Notes are complex financial instruments. A prospective investor should not invest in Credit Linked Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Credit Linked Notes will perform under changing conditions,

the resulting effects on the value of the Credit Linked Notes and the impact this investment will have on the prospective investor's overall investment portfolio.

Investment in the Credit Linked Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Credit Linked Notes and the risk of losing all or part of their investment in the Credit Linked Notes.

**(ii)** ***Risks related to the structure of a particular issue of the Credit Linked Notes***

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

*Risk of Loss of Interest*

Save as otherwise provided in the relevant Final Terms, if a Credit Event occurs interest may be reduced on an Applicable Proportion of the Credit Linked Notes from the Interest Suspension Accrual Date until such Applicable Proportion of the Credit Linked Notes is redeemed.

*Risk of Loss of Principal*

Investors bear the risk of a total loss of principal if a Credit Event and a Relevant Event Determination Date occur. The Outstanding Aggregate Nominal Amount of the Credit Linked Notes is likely to be lower following a Credit Event and may be zero. In addition, Noteholders should be aware that if "Credit Payment on Maturity" applies to the Notes, then payment of the Redemption Amount will only be made at maturity of the Notes notwithstanding that the Credit Event leading to the calculation of the Redemption Amount occurs before the Scheduled Maturity Date of the Notes and Noteholders will not receive any interim payment of principal in respect of such Note.

The Redemption Amount will reflect the market value of the obligations of the Reference Entity in respect of which a Credit Event occurred less a deduction for Unwind Costs (see further "Unwind Costs" below).

See also risk factor 5.7. (iv) below.

**(iii)** ***Risks relating to the Credit Linked Conditions and the Credit Derivatives Determinations Committees***

*Credit Linked Conditions*

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

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

There can be no assurances that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer or Noteholders. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to Credit Linked Notes that have already been issued if the Issuer and the Noteholders agree to

amend the Credit Linked Notes to incorporate such amendments or supplements and other conditions to amending the Credit Linked Notes have been met.

The 2014 ISDA Credit Derivatives Definitions introduced new "Asset Package Delivery" provisions which enable an Asset Package to be the subject of an Auction held to determine the Auction Final Price for a Reference Entity following the occurrence of an Asset Package Credit Event. As at the date of these Credit Linked Conditions, the Auction Settlement Terms have not been updated to reflect such Asset Package Delivery provisions. The Calculation Agent has discretion to adjust the Auction Final Price for any Asset Package if it determines that the Auction Final Price does not reflect the price for the entire Asset Package and in doing so the Calculation Agent may, but is not obliged to, have regard to any Auction Settlement Terms published by ISDA to settle credit derivatives transactions following an Asset Package Credit Event.

*Credit Derivatives Determinations Committees*

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

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

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

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

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

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

*Exposure to Reference Entities, Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Valuation Obligations*

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

The Basket Credit Linked Notes and Index Tranche Credit Linked Notes are linked to the credit risk of more than one Reference Entity. The likelihood of a Credit Event occurring in respect of any of the Reference Entities referenced by a Basket Credit Linked Note or Index Tranche Credit Linked Note will differ for each Reference Entity and prospective investors should conduct their own analysis of the credit risk of each of the multiple Reference Entities for the relevant Basket Credit Linked Note or Index Tranche Credit Linked Note.

Further, in respect of Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the credit risk to Noteholders may be increased, amongst other things, as a result of the

concentration of Reference Entries in a particular industry sector or geographic area, or the exposure of the Reference Entities to similar financial or other risks as other Reference Entities.

The risk that the Noteholders bear in relation to the Credit Linked Notes is a function of both the risk of a Credit Event occurring in respect of the Reference Entity or Entities and the risk relating to the amount that may be recovered following such Credit Event. Where a Credit Event results in a high recovery rate, the Noteholders will incur a relatively small loss. Conversely, where a Credit Event results in a low recovery rate, Noteholders will incur a larger loss.

*Synthetic Exposure*

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

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

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

*Credit Events*

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

Investors should note that a Credit Event occurring prior to the Trade Date may result in a Credit Event being triggered under the Notes as the Notes have a "Credit Event Backstop Date" which is a look-back period of sixty calendar days from the Credit Event Resolution Request Date or the date of the Credit Event Notice. Investors should conduct their own review of any recent developments with respect to each Reference Entity by consulting publicly available information. If a request to convene a Credit Derivatives Determinations

Committee has been delivered prior to the Trade Date to determine whether a Credit Event has occurred with respect to the Reference Entity, details of such request may be found on the ISDA website. If a Credit Derivatives Determinations Committee has not been convened to determine such matter as of the Trade Date, one may still be convened after the Trade Date in respect of an event which occurs up to sixty days before the date of a request to convene such Credit Derivatives Determinations Committee.

*Successors and Substitute Reference Obligations*

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

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

*Redemption after Scheduled Maturity Date*

Redemption may occur irrespective of whether the Relevant Credit Event is continuing on or after a Relevant Event Determination Date. The relevant Redemption Date may be later than the Scheduled Maturity Date. If the Issuer determines, in its sole and absolute discretion, that one or more Reference Entities is or may be subject to (a) a Credit Event, (b) if "Grace Period Extension" is specified as being applicable in the relevant Final Terms, a Potential Failure to Pay or, (c) if "Repudiation/Moratorium" is specified as being applicable in the relevant Final Terms, a Potential Repudiation/Moratorium, the Credit Linked Notes then outstanding shall not be redeemed on the Scheduled Maturity Date but shall be redeemed instead on the Extended Maturity Date. If an extension of the Scheduled Maturity Date applies pursuant to and in accordance with Credit Linked Condition 9 (*Maturity Date Extension*), the Issuer may deliver a Credit Event Notice or the Credit Derivatives Determinations Committee may make a DC Credit Announcement which will trigger settlement of the Credit Linked Notes after the Scheduled Maturity Date.

*Issuer Discretion*

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

**(iv)** ***Risks relating to the Credit Event Redemption Method***

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

*Auction Redemption*

If "Auction Redemption" is specified as being applicable in respect of the Credit Linked Notes, then the amounts payable by and/or rights and obligations of the parties under the Credit Linked Notes in respect of the relevant Reference Entity or Reference Obligation will be determined in accordance with the Auction Final Price. This may result in a lower

recovery value than a Reference Entity or Reference Obligation would have if such Auction Final Price had not been used.

If "Auction Redemption" is specified as being applicable with respect to the Credit Linked Notes but a Credit Derivatives Determinations Committee does not decide to conduct an Auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the relevant Final Terms, then the Fallback Redemption Method shall apply. In such circumstances, the Final Price will be determined pursuant to the Valuation Method.

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

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

*Cash Redemption*

If "Cash Redemption" is specified as being applicable in the relevant Final Terms with respect to the Credit Linked Notes or "Cash Redemption" is the Fallback Redemption Method, then the Calculation Agent will value the Reference Obligation or any other obligation of the Reference Entity fulfilling certain criteria including the Valuation Obligation Category and Valuation Obligation Characteristics by asking for quotations from Quotation Dealers. The date, time and method of such auction, and the selection of the Reference Obligation, will impact the Final Price. The Quotation Dealers selected by the Calculation Agent must be financial institutions, funds or other entities that purchase or deal in obligations similar to the Reference Obligation and may include the Issuer or any guarantor; however, the Quotation Dealers have no duty towards any Noteholder and may not be aware that the purpose of the auction is to determine a Final Price for purposes of the Credit Linked Notes or any other Credit Linked Notes.

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

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

*Fixed Recovery Redemption*

If "Fixed Recovery Redemption" is the applicable Credit Event Redemption Method, the occurrence of a Credit Event may result in the recovery for Noteholders being materially lower than the prevailing price of the relevant obligations of the relevant Reference Entity.

*Credit Payment on Maturity*

If "Credit Payment on Maturity" applies, the occurrence of a Credit Event will not result in the early redemption of the Credit Linked Notes. Investors are therefore exposed to the risk that, following the occurrence of a Credit Event, they will receive lower interest payments from the Interest Suspension Accrual Date up to the Maturity Date, and the Redemption Amount will only be payable on maturity of the Notes.

*Redemption Failure/Alternative Redemption*

If the Redemption Amount in respect of such Note cannot be paid when due as a result of a Redemption Failure Event, the Noteholder, after providing a release and indemnity to the satisfaction of the Issuer, may request such payment to be made to an account or person not affected by such Redemption Failure Event, provided that, if such Redemption Failure Event is continuing for 90 calendar days after the Scheduled Maturity Date or other scheduled payment or delivery date (including the applicable Redemption Date), in respect of an amount to be paid by the Issuer, if the Noteholder has not requested such payment to be made to an account or person not affected by such Redemption Failure Event, the Issuer's obligations in respect of such payment will be discharged.

**(v)** ***Other risk factors***

*Index Tranche Credit Linked Notes*

Noteholders are exposed to losses arising from Credit Events in relation to Index Tranche Credit Linked Notes only to the extent that the Aggregate Loss Amount exceeds the Loss Threshold Amount. The likelihood that Noteholders will be exposed to losses is therefore greater for more subordinated tranches (i.e. those with a lower Attachment Point).

*Leverage*

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

Investors should note in particular that Index Tranche Credit Linked Notes may be leveraged such that the losses on those Notes are enhanced, although losses are limited to an investor's initial investment.

*Hedging*

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

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

*Unwind Costs*

Any Redemption Amounts payable to Noteholders following the occurrence of a Credit Event will reflect the Unwind Costs, if applicable, of the Issuer. These relate to the costs and expenses incurred by the Issuer in redeeming the Notes early or terminating, liquidating, obtaining or re-establishing any related funding, hedging or trading position in connection with the Notes or a result of a Credit Event occurring. These costs are not known at the Issue Date of the Credit Linked Notes and will depend on interest rates and borrowing costs in the future. Where the Unwind Costs are positive (which is likely to be the case where the Issuer is able to borrow funds for less than the Funding Rate specified on the Issue Date), the relevant Redemption Amount will be increased. However, where the Unwind Costs are negative (which is likely to be the case where the cost of borrowing for the Issuer is higher than the Funding Interest Rate specified on the Issue Date), the relevant Redemption Amount will be reduced.

The Issuer is not under any duty to hedge itself with respect to any Credit Linked Notes, nor is it required to hedge itself in a manner that will result in the lowest Unwind Costs. Investors should be aware that, if Unwind Costs are greater than the applicable Recovery Amount, the Redemption Amount will be zero.

*No Guarantee of Performance*

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

*Provision of Information*

The Programme Parties may at the date hereof or at any time hereafter be in possession of information in relation to any Reference Entity, any Affiliate of a Reference Entity, any Reference Obligation or any guarantor that is or may be material in the context of an issue of Notes and may or may not be publicly available to Noteholders. There is no obligation on any of the Programme Parties to disclose to Noteholders any such information, except for the Issuer's obligations to disclose inside information, regulated information and significant new factors in relation to the information contained in this Base Prospectus under any applicable regulatory requirements.

*No Representations*

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

*Calculation Agent*

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

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

*Correlation between Credit Risk of the Reference Entity and Credit Events*

Generally, there may be a correlation between the credit risk of a Reference Entity and the occurrence of a Credit Event in respect of such Reference Entity. Market perception may also affect the value of the Notes, particularly in the case of Index Tranche Credit Linked Notes.

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

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

*Correlation Risks between the Issuer and the Reference Entity(ies)*

In addition to credit risk of the Reference Entity or Entities identified in the relevant Final Terms, investors are also exposed to the credit risk of the Issuer. In certain circumstances, such as times of general market stress, there may be a correlation between the credit risk of the Reference Entity or Entities and the Credit Risk of the Issuer, meaning that overall risk for the investor will be increased.

**(vi)** ***General risk factors***

Each of the risks described under these "General risk factors" could adversely affect the trading price of the Credit Linked Notes or the rights of Noteholders under the Credit Linked Notes and, as a result, investors could lose some or all of their investment. The Issuer may be unable to pay or deliver amounts on or in connection with the Credit Linked Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Credit Linked Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in the relevant Final Terms (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Each prospective investor in the Credit Linked Notes must determine the suitability of an investment in the Credit Linked Notes in light of its own circumstances. In particular, but without limitation, each prospective investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Credit Linked Notes, the merits and risks of investing in the Credit Linked Notes and the information contained or incorporated by reference in the Offering Circular;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Credit Linked Notes, the risks in connection with an investment in the Credit Linked Notes and the impact the Credit Linked Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Credit Linked Notes, including Credit Linked Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the prospective investor's currency;

(d) understand thoroughly the terms of the Credit Linked Notes and be familiar with common market terms, market-standard methodologies and the behaviour of any relevant Credit Linked Notes, assets and/or financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

Several factors may influence the value of the Credit Linked Notes (and, if such value is adversely affected, investors could lose some or all of their investment). These factors include:

- the actual or perceived creditworthiness and credit ratings of each Reference Entity and any guarantors or other supporters of its relevant obligations;
- the degree of correlation between the creditworthiness of a Reference Entity and that of each other Reference Entity and the Issuer (as discussed above in "Correlation Risks in the case of more than one Reference Entity" and "Correlation Risks between the Issuer and the Reference Entity(ies)");
- expected rates of recovery on obligations of the Reference Entity;
- actions of a Reference Entity and its principal creditors;
- the nature of each Reference Entity's outstanding indebtedness, including its maturity and subordination structure and any guarantees or other support that the Reference Entity has provided to other entities;
- the Credit Events specified as applicable in the relevant Final Terms with respect to a Reference Entity that may trigger early redemption of the Credit Linked Notes;
- Issuer optionality, such as the ability to select the obligations of a Reference Entity that will be delivered or valued or to decide whether or not to trigger settlement;
- correlation among the credit spreads and/or default probabilities of the components of a basket or index, if applicable;
- market liquidity for a particular type of Credit Linked Notes;
- interest rates payable under the Credit Linked Notes;
- the time remaining to the maturity of the Credit Linked Notes; and
- economic, financial, political and regulatory or judicial events or conditions that affect any Reference Entity or its outstanding obligations, or the market for Credit Linked Notes generally or related financial markets, including credit spreads in the market, market liquidity or Credit Transactions relative to the liquidity of related cash instruments or related credit derivatives, and liquidity for secondary assignments of credit derivatives generally.

The Credit Linked Notes constitute unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and equally with all other unsubordinated and unsecured obligations of the Issuer from time to time outstanding (other than obligations preferred by mandatory operation of law).

A prospective investor may not rely on the Issuer in connection with its determination as to the legality, advisability or suitability of its acquisition of the Credit Linked Notes or as to the other matters referred to above.

Neither the Issuer nor any of its employees, directors or other connected persons has any duty, obligation or responsibility towards a Noteholder unless otherwise agreed in writing with that Noteholder. In particular, without limiting the foregoing, the Issuer need not provide information to, act on the instruction or request of, find alternative mechanisms for realising money for, or take into account the views of, any Noteholder. In taking action against third parties, the Issuer may combine holdings of debt, Credit Linked Notes or other interests as they shall see fit and apply proceeds thereof, as they shall see fit. The Issuer may only waive contractual obligations in respect of the Credit Linked Notes in writing.

Notwithstanding anything to the contrary in the Conditions, certain notices under the Credit Linked Conditions are required to be delivered to the Agent and the Agent must deliver a copy to the Noteholders and other notices which are required to be delivered to the Noteholders under the Credit Linked Conditions must, in the first instance be delivered by the Issuer to the Agent. In both cases, notices are deemed to be effective from the date and time of delivery to the Agent, regardless of whether the Noteholders have received, or have any ability to receive, such notice at such time.

The Issuer has not assumed and does not assume any responsibility for the lawfulness of the acquisition of the Credit Linked Notes by a prospective investor of the Credit Linked Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it. Prospective investors should consult with their own legal advisors in determining whether, and to what extent (a) the Credit Linked Notes will constitute legal investments for them and the consequences of such an investment, (b) Credit Linked Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Credit Linked Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Credit Linked Notes under any applicable risk-based capital or similar rules.

There can be no assurance that a secondary market for any of the Credit Linked Notes will develop, or, if a secondary market does develop, that it will provide the holders of the Credit Linked Notes with liquidity or that it will continue for the life of the Credit Linked Notes.

The market liquidity of the Credit Linked Notes referencing indices may vary significantly between the current series of the index and prior series. The market liquidity of Credit Linked Notes based on bespoke portfolios of Reference Entities will generally be less than that of Credit Linked Notes based on standardized indices.

A decrease in the liquidity of an issue of Credit Linked Notes may cause, in turn, an increase in the volatility associated with the price of such issue of Credit Linked Notes. Illiquidity may have a severely adverse effect on the market value of Credit Linked Notes. Any prospective investor in the Credit Linked Notes must be prepared to hold such Credit Linked Notes until redemption or expiry of the Credit Linked Notes. The Issuer may, but is not obliged to, purchase Credit Linked Notes at any time at any price in the open market or by tender or private treaty and may hold, resell or cancel them. The market for Credit Linked Notes may be limited.

In making calculations and determinations with regard to the Credit Linked Notes, there may be a difference of interest between the Noteholders and the Issuer. The Issuer is required to act in a commercially reasonable manner but does not have any obligations of agency or trust for any Noteholder and has no fiduciary obligations towards them. In

particular the Issuer may have interests in other capacities (such as other business relationships and activities).

If the amount payable on redemption, exercise or expiry of the Credit Linked Notes is less than their issue price, investors may lose all or part of their investment.

In certain circumstances the Issuer may make adjustments to the terms of the Credit Linked Notes or redeem or cancel them at their fair market value as determined by it without the consent of the Noteholders.

The level and basis of taxation on the Credit Linked Notes and on the investors and any reliefs from such taxation depend on the investor's individual circumstances and could change at any time. The tax and regulatory characterisation of the Credit Linked Notes may change over the life of the Credit Linked Notes. This could have adverse consequences for investors. Prospective investors will therefore need to consult their own tax advisers to determine the specific tax consequences of the purchase, ownership, transfer and redemption or enforcement of the Credit Linked Notes.

The Issuer makes no representation as to the present or future value of the Credit Linked Notes. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Credit Linked Notes.

The obligations of the Issuer to make any payments under the Credit Linked Notes are subject to the risk of default of the Issuer. The value of the Credit Linked Notes is dependent on the creditworthiness of the Issuer, which may vary over the term of the Credit Linked Notes.

If investors are required to sell the Credit Linked Notes prior to maturity, investors could receive significantly less than their initial investment.

No person has been authorised by the Issuer to give any information or advice or to make any representation in connection with the issue or sale of the Credit Linked Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

The distribution of any Final Terms and the offering or sale of the Credit Linked Notes in certain jurisdictions may be restricted by law. Persons into whose possession any Final Terms come are required by the Issuer to observe any such restriction. Any Final Terms are not intended as an offer or solicitation for the purchase or sale of any financial instrument in any jurisdiction where such offer or solicitation would violate the laws of such jurisdiction.

Any Final Terms are not, nor purport to be or contain, investment advice. None of the Issuer, the Calculation Agent or any other Agent (including any directors, officers or employees thereof) is acting as an investment adviser or providing, or undertaking to provide, advice of any other nature, or assumes any fiduciary obligation, to any prospective investor in Credit Linked Notes, or accepts any such responsibility or duty to any third party into whose possession any relevant Final Terms or other information in connection with the Credit Linked Notes comes.

Neither the Issuer nor the Calculation Agent has given to any prospective investor in Credit Linked Notes (either directly or indirectly) any assurance or guarantee as to the merits, performance or suitability of such Credit Linked Notes and no such assurance or guarantee will be given. Neither the Issuer nor the Calculation Agent assumes any obligation or liability whatsoever to such investor in such regard and the prospective investor should be aware that Issuer is acting as an arm's-length contractual counterparty and not as an adviser or fiduciary.

## 6 Additional risks associated with Reference Item Linked Notes

### 6.1 Specific hedging risks relating to Reference Item Linked Notes

Prospective purchasers intending to purchase Notes to hedge against the market risk associated with investing in the Reference Item(s) relating thereto, should recognise the complexities of

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

### 6.2 Emerging market

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

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

## 7 Risks associated with particular structured interest pay-outs

### 7.1 Evolution Interest pay-outs

Reference Item Linked Notes that bear interest by reference to the change in value of the relevant Reference Item over a specified observation period have similar characteristics and give rise to certain common risks. Whilst the risks connected with the particular Reference Item will differ (see the relevant section of risk factor 5 in this respect), investors in the following types Notes should consider the further risks highlighted below: (i) Index Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Index, (ii) Equity Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Underlying Equity or Evolution of Basket of Underlying Equities, (iii) Inflation Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Inflation, (iv) Currency Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Currency, (v) Fund Interest Linked Notes for which the Interest Variable Option is specified to be Evolution of Fund Interests or Evolution of Basket of Underlying Fund Interests and (vi) Commodity Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Underlying Commodity, Evolution of Basket of Underlying Commodities, Evolution of Commodity Index or Evolution of Basket of Commodity Indices.

Each Interest Amount payable on such Notes is determined by reference to how (i) the value of the specified Reference Item determined for the relevant interest period (the "**Latest Value**") has increased or decreased from (ii) the product of the Scaling Factor (see risk factor 8.7) and the value for the immediately preceding interest period (or, for the first variable rate, the initial value) (the "**Previous Value**" and, after application of the Scaling Factor, the "**Evolution Hurdle Value**"). Such increase or decrease in value is expressed as a percentage of the Previous Value (the "**Evolution**"), following which the Margin (if any) is added or subtracted and the result is multiplied by the applicable Interest Multiplier (see risk factor 8.3).

Currency Linked Interest Notes differ as a result of the basis on which currency exchange rates are published, such that the Latest Value and Previous Value are reversed (the Previous Value is compared with the product of (i) the Scaling Factor (see risk factor 8.7) and (ii) the Latest Value (such product being the "Evolution Hurdle Value" for the purposes of Currency Linked Interest Notes). Otherwise, the pay-out operates identically.

Where the Interest Multiplier is positive, if such Latest Value (or, in respect of Currency Linked Interest Notes, the Previous Value) does not exceed the relevant Evolution Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the shortfall when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) is less than any positive Margin applicable to the Notes. Even if the Latest

Value (or, in respect of Currency Linked Interest Notes, the Previous Value) does exceed the relevant Evolution Hurdle Value, such excess when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) must be greater than any negative Margin for an Interest Amount to be payable.

Conversely, where the Interest Multiplier is negative, if such Latest Value (or, in respect of Currency Linked Interest Notes, the Previous Value) exceeds the relevant Evolution Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the excess when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) is greater than any negative Margin applicable to the Notes. Even if the Latest Value (or, in respect of Currency Linked Interest Notes, the Previous Value) does not exceed the relevant Evolution Hurdle Value, the value of such shortfall when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) must be greater than any positive Margin for an Interest Amount to be payable.

Subject to the relevant Interest Multiplier, Margin and Reference Item to which such Notes are linked, the performance of the relevant Reference Item shall affect the amount of interest, if any, payable to Noteholders.

### 7.2 Asian Option pay-outs

Reference Item Linked Notes that bear interest by reference to the average value of the relevant Reference Item over a number (n) of specified observation dates in respect of an Interest Period have similar characteristics and give rise to certain common risks. Whilst the risks connected with the particular Reference Item will differ (see the relevant section of risk factor 5 in this respect), investors in the following types Notes should consider the risks highlighted below: (i) Floating Rate Notes for which the Interest Variable Option is specified to be Asian Option – Interest Rates, (ii) Index Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Index, (iii) Equity Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Underlying Equity / Basket of Underlying Equities, (iv) Inflation Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Inflation, (v) Currency Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Currency, (vi) Fund Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Underlying Fund Interest/Basket of Underlying Fund Interests, and (vii) Commodity Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Underlying Commodity/Basket of Underlying Commodities or Asian Option – Commodity Index/Basket of Commodity Indices.

Each Interest Amount payable on such Notes is determined by reference to how (i) the average of the values of the specified Reference Item that could be determined for each of the "**n**" observation dates relating to the relevant interest period (the result, after application of any of the potential adjustments below, the "**Latest Average Value**") has increased or decreased from (ii) the product of the Scaling Factor (see risk factor 8.7) and the average of the values of the Reference Item determined for the initially specified observation dates (the "**Initial Value**" and, after application of the Scaling Factor, the "**Asian Hurdle Value**"). Such increase or decrease in average value is expressed as a percentage of the Initial Value (the "**Asian Performance**"), following which the Margin (if any) is added or subtracted and the result is multiplied by the applicable Interest Multiplier (see risk factor 8.3).

Currency Linked Interest Notes differ as a result of the basis on which currency exchange rates are published, such that the Latest Average Value and Initial Value are reversed (the Initial Value being compared with the product of (i) the Scaling Factor (see risk factor 8.7) and (ii) the Latest Average Value (such product being the "Asian Hurdle Value" for the purposes of Currency Linked Interest Notes). Otherwise, the pay-out operates identically.

Floating Rate Notes also differ when applying an Asian Option Interest Variable Option, such that the Interest Amount is solely based on the Latest Average Value, plus or minus the Margin (if any), with the result being multiplied by the applicable Interest Multiplier (see risk factor 8.3). This is because Rates Variance (see risk factor 4.4.2) covers the relative change in interest rates over a specified observation period.

Where the Interest Multiplier is positive (excluding Floating Rate Notes for this purpose), if such Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) does not exceed the relevant Asian Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the shortfall when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) is less than any positive Margin applicable to the Notes. Even if the Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) does exceed the relevant Asian Hurdle Value, such excess when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) must be greater than any negative Margin for an Interest Amount to be payable.

Conversely, where the Interest Multiplier is negative, if such Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) exceeds the relevant Asian Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the excess when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) is greater than any negative Margin applicable to the Notes. Even if the Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) does not exceed the relevant Asian Hurdle Value, the value of such shortfall when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) must be greater than any positive Margin for an Interest Amount to be payable.

Subject to the relevant Interest Multiplier, Margin and Reference Item to which such Notes are linked, the performance of the relevant Reference Item shall affect the amount of interest, if any, payable to Noteholders.

Where the price, level, or rate of the applicable Reference Item is unable to be determined on the relevant observation date contemplated under the Conditions of the Notes, then the Calculation Agent will apply different fallback adjustment mechanisms to deal with such disruption event. Such adjustments may result in that relevant observation date being omitted, postponed or replaced with a different observation date that is not otherwise used for such Interest Period, in each case depending on what type of Reference Item the Notes are linked to and what elections are made in the applicable Final Terms. The relevant adjustment mechanism may reduce the number of averaging dates (n) that are used to determine the value of the Reference Item or result in the same value being used more than once.

### 7.3 Digital Option pay-outs

Reference Item Linked Notes with Digital Option pay-outs will bear interest that depends on whether the relevant Digital Option Payment Condition is satisfied for the relevant Interest Period. Whilst the risks connected with the particular Reference Item will differ (see the relevant section of risk factor 5 in this respect), investors in the following types Notes should consider the risks highlighted below: Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes, Currency Linked Interest Notes, Fund Linked Notes and Commodity Linked Notes in each case for which the Interest Variable Option is specified to be Digital Option.

If the Digital Option Variable, when compared to the product of (i) the Digital Option Strike and the (ii) Scaling Factor, satisfies the parameters of the relevant Digital Option Payment Condition, then the Notes may bear interest at a fixed rate or at a floating rate based on an ISDA Determination or a Screen Rate Determination, which floating rate may be subject to an Interest Multiplier and a Margin (each of which may independently be positive or negative). It is also possible that a minimum and maximum rate of interest is applied, such that the rate can not be below or exceed such collar boundaries. If the Digital Option Payment Condition is not satisfied, then either a fallback rate of interest based on similar methodologies may be applicable or no interest shall apply. Consequently, depending on the particular terms of such Notes, investors should also consider in particular risk factors 4.2, 8.3, 8.4 and 8.7.

The Digital Option Variable will be a value of the relevant Reference Item that is determined for each Interest Period. The corresponding Digital Option Strike may either be (i) a specified level, price or rate or (ii) a value of the relevant Reference Item determined on a different basis to the Digital Option Variable.

Small movements in the Digital Option Variable may have very large effects on the value of the Notes and the Interest Amounts to be paid. The market value of Digital Option Notes are typically more volatile than market value of other conventional Floating Rate or Reference Item Linked Notes or other equivalent interest bearing Notes linked to the same interest variables and prospective investors in such Notes should note that, in certain circumstances, they may not receive any interest.

### 7.4 Single Fixing – Index and Asian Fixing – Index

Index Linked Interest Notes with an Interest Variable Option specified as Single Fixing – Index or Asian Fixing – Index will bear interest depending on the value or average value of the relevant Index that is determined for a particular Interest Period.

If the Interest Multiplier is positive and such value or average value, when divided by the specified Denominator, is less than any negative Margin, no Interest Amount will be payable. If the Interest Multiplier is negative and such value or average value, when divided by the specified Denominator, is greater than any negative Margin, no Interest Amount will be payable.

Subject to the relevant Interest Multiplier, Margin and Denominator, the performance of the relevant Index shall affect the amount of interest, if any, payable to Noteholders.

## 8 Further risks related to particular features that may apply to an issue of Notes

A wide range of additional features may apply to Notes issued under the Programme. A number of these features give rise to particular risks for potential investors.

### 8.1 Notes with more than one Interest Basis

Notes may bear interest on different Interest Bases. In such case, investors should carefully review the applicable Conditions and the risk factors for each specified Interest Basis together.

### 8.2 Notes issued at a substantial discount or premium

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

### 8.3 Notes with Multipliers

Notes with variable interest rates and redemption payments can be volatile investments. Where any one or more of an Interest Multiplier, Autocall Multiplier, Index Redemption Multiplier, Equity Redemption Multiplier, Inflation Redemption Multiplier, Currency Redemption Multiplier or Commodity Redemption Multiplier (each, a "**Multiplier**") applies to the Notes, their market value may be even more volatile than for Notes that do not include such feature(s).

The Multiplier will determine the level of exposure of the investor to the Reference Item and will be specified as a percentage. A Multiplier (other than an Autocall Multiplier) may be a positive or a negative number.

If the Multiplier is lower than 100 per cent., it may reduce the effects of the gains and losses on the Reference Item. If the Reference Item is performing well, Noteholders will not benefit from the positive performance of the underlying Reference Item to the fullest extent.

If the Multiplier is higher than 100 per cent., the exposure of the Noteholders to the effects of the losses and gains on the Reference Item will be increased. If the Reference Item is not performing well, investors may receive a lower Interest Amount, Redemption Amount or Autocall Redemption Amount.

If a Multiplier is specified as a negative percentage, investors will generally benefit from under-performance of the relevant Reference Item, subject to the application of a Scaling Factor and/or Margin.

### 8.4 Notes where a Minimum and/or Maximum Rate of Interest applies

Notes where a Minimum and/or Maximum Rate of Interest applies, will be less exposed to the positive and negative performance or fluctuations of the Reference Item.

Notes where a Minimum Rate of Interest or a Floor Rate or Floor % applies to a particular Interest Basis, have an interest rate that is subject to a minimum specified rate. The minimum Interest Amount payable in respect of such Interest Basis will occur when the applicable formula leads to a Rate of Interest which is lower than the minimum specified rate, in which case the Rate of Interest will be limited to the Minimum Rate of Interest specified in the Final Terms.

Investors in such Notes will therefore not be subject to any decreases in the relevant Reference Rate or value of the Reference Item which would otherwise have led to an interest rate below the minimum specified rate. The investor will be protected, to the extent of the applicable Minimum Rate of Interest, from the negative performance of the Reference Item or the decreasing Reference Rate.

Notes where a Maximum Rate of Interest or Cap Rate or Cap % applies to a particular Interest Basis, have an interest rate that is subject to a maximum specified rate. The maximum Interest Amount payable in respect of such Interest Basis will occur when the applicable formula leads to a Rate of Interest which is higher than the maximum specified rate, in which case the Rate of Interest will be limited to the Maximum Rate of Interest specified in the Final Terms. Investors in such Notes will therefore not benefit from any increase in the relevant Reference Rate or value of the Reference Item which would otherwise cause such interest rate to exceed the maximum specified rate. The market value of these Notes would therefore typically fall the closer the maximum specified rate.

### 8.5 Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment. Partly Paid Notes shall always be Exempt Notes.

### 8.6 Investor Put

The Issuer may issue Notes where the Noteholders benefit from an option which may require the Issuer to redeem such Notes prior to their scheduled Maturity Date.

The Notes will only be redeemed by the Issuer provided at least 80 per cent. of all Noteholders, acting in concert, request redemption of their Notes prior to maturity. There is a risk that, although the majority of the Noteholders agrees to exercise the investor put, none of the Noteholders is entitled to obtain early redemption because the requisite majority of 80 per cent. has not been met.

There will be a time lag between the time the Noteholders give the instruction to redeem or cancel and the time the relevant 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 or cancellation of Notes arising from the occurrence of a Disrupted Day or a Market Disruption Event (if applicable), or following the imposition of any exchange controls or similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies). The applicable Optional Redemption Amount may change significantly during any such period.

### 8.7 Scaling Factor

A Scaling Factor other than 100 per cent. will change both the extent to which the Reference Item's performance must vary in order to create a payment for the Noteholders, and the quantum of such payment. Depending on the other variables applicable to the Notes, in particular whether there is a negative Interest Multiplier, a Scaling Factor may or may not be detrimental to Noteholders' interests.

If any Interest Amount or Redemption Amount is based on the positive performance (requiring an increase in value) of the Reference Item during the relevant Interest Period or the term of the

Notes, the application of a Scaling Factor of less than 100 per cent. to the initial value of such Reference Item will increase both the likelihood of such payment becoming due and its ultimate quantum. Conversely, if such a Scaling Factor were greater than 100 per cent., then the Reference Item will have to perform to a greater extent to ensure that it exceeds the initial value multiplied by the Scaling Factor.

Generally, if a Reference Item is applied to Notes in conjunction with a Multiplier greater than 100 per cent. or contains some other leverage factor, such as the Scaling Factor, the effect of changes in the Reference Item on the principal or Interest Amount payable is likely to be magnified.

**8.8 Notes subject to optional redemption by the Issuer**

An optional redemption feature permitting the Issuer to call the Notes early is likely to limit the market value of Notes. If the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the Optional Redemption Amount at which they would be redeemed.

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

**8.9 Cessation of Reference Rate**

If the Reference Rate required to make calculations on the Notes has ceased to be calculated and/or published and the Calculation Agent determines no successor or replacement rate to have been established, the Issuer may redeem the Notes at their Early Redemption Amount together (if appropriate) with accrued interest. At such time, Noteholders may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

**8.10 Additional Disruption Events**

The Issuer may specify in the Final Terms any of the following Additional Disruption Events: "Change in Law", "Hedging Disruption", "Increased Cost of Hedging", "Increased Cost of Stock Borrow" (applicable only for Equity Linked Notes and Index Linked Notes), "Insolvency Filing" (applicable only for Equity Linked Notes) and/or "Loss of Stock Borrow" (applicable only for Equity Linked Notes and Index Linked Notes) as Additional Disruption Event.

In case such specified Disruption Event occurs, the Issuer may in its sole discretion (a) require the Calculation Agent to determine the appropriate adjustment to the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or (b) redeem all Notes at the Early Redemption Amount.

**8.11 Alternative Currency Provisions**

If the applicable Final Terms specify that "Alternative Currency Provisions" are applicable, then if the Issuer in agreement with the Calculation Agent determines that it would be commercially impracticable for the Issuer to satisfy any payment obligation in respect of the Notes when due in the Scheduled Currency as a result of a Specified Currency Disruption Event, the Issuer in its sole and absolute discretion may either (i) postpone the obligation to pay, (ii) replace the payment obligation by an obligation to make payment of the Alternative Currency Equivalent or (iii) redeem all but not part of the Notes.

Investors should note that in case the obligation to pay is being postponed, the relevant payment will be due on the date so postponed (within the Maximum Alternative Currency Number Business Days), investors shall receive no Interest Amounts or other sums payable in respect of the postponement of the payment of such amount.

Investors should note that the Calculation Agent shall determine any alternative rate or currency in a commercially reasonable manner. There is risk that the amounts to be paid to investors will therefore be determined in a manner other than what investors may have expected.

In making any determination in respect of any Specified Currency Disruption Event, neither the Issuer nor the Calculation Agent shall have regard to any interests arising from circumstances particular to any one or more Noteholders (whatever their number), and, in particular, but without limitation, shall not have regard to the consequences of any such determination for any one or more Noteholders (whatever their number), resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof.

No Noteholder shall be entitled to claim, from the Issuer or the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences or other losses of any such determination upon individual any Noteholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 13 by the Issuer or the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

## 9 Risks related to the market generally

Set out below is a brief description of the principal market risks, including the impact of fees, liquidity risk, exchange rate risk, interest rate risk and credit risk:

### 9.1 Impact of fees, commissions and/or inducements on the Issue Price and/or offer price

Investors should note that the issue price and/or offer price of any issue of Notes may include subscription fees, placement fees, direction fees, structuring fees and/or other additional costs. Any such fees may not be taken into account for the purposes of determining the price of such Notes on the secondary market and could result in a difference between the original issue price and/or offer price, the theoretical value of such Notes, and/or the actual bid/offer price quoted by any intermediary in the secondary market.

Any such difference may have an adverse effect on the value of Notes, particularly immediately following the offer and the issue date relating to such Notes, where any such fees and/or costs may be deducted from the price at which such Notes can be sold by the initial investor in the secondary market.

### 9.2 The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid and an investor may not be able to find a timely and/or suitable counterpart. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market or at prices higher than the relevant investor's initial investment. Investors seeking to liquidate/sell positions in the Notes prior to the stated maturity date may receive substantially less than their original purchase price. Therefore, in establishing their investment strategy, investors should ensure that the term of the Notes is in line with their future liquidity requirements. This is particularly the case for Notes 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 Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. The liquidity of Notes is also influenced by whether or not the relevant Notes are exclusively offered to retail investors without any offer to institutional investors. To the extent that an issue of Notes is or becomes illiquid, investors may have to hold the relevant Notes until maturity before they are able to realise value.

The Issuer may, but is not obliged to, list an issue of Notes on a stock exchange or regulated market. If Notes are not listed or traded on any stock exchange or regulated market, pricing

information for the relevant Notes may be more difficult to obtain and the liquidity of such Notes may be adversely affected, and therefore the price of the Notes could be affected by their limited liquidity.

If Notes are not listed or traded on a stock exchange or regulated market, they may be traded on trading systems governed by the laws and regulations in force from time to time (e.g. multilateral trading systems or "**MTF**") or in other trading systems (e.g. bilateral systems, or equivalent trading systems). In the event that trading in such Notes takes place outside any such stock exchange, regulated market or trading systems, the manner in which the price of such Notes is determined may be less transparent and the liquidity of such Notes may be adversely affected. Investors should note that the Issuer does not grant any warranty to Noteholders as to the methodologies used to determine the price of Notes which are traded outside a trading system, however, where the Issuer or any of its Affiliates determines the price of such Notes, it will take into account the market parameters applicable at such time in accordance with applicable provisions of law. Even if Notes are listed and/or admitted to trading, this will not necessarily result in greater liquidity.

Each of the Issuer, the Guarantor and any Dealer may, but is not obliged to, at any time purchase Notes at any price in the open market or by tender or private agreement. Any Notes so purchased may be held or resold or surrendered for cancellation. If any Notes are redeemed in part, then the number of Notes outstanding will decrease, which will reduce liquidity for the outstanding Notes. Any such activities may have an adverse effect on the price of the relevant Notes in the secondary market and/or the existence of a secondary market.

Any Dealer or any of its Affiliates may, but is not obliged to, be a market maker, liquidity provider, specialist or bid intermediary, for an issue of Notes. Even if a Dealer is a market-maker, liquidity provider, specialist or bid intermediary for an issue of Notes, the secondary market for such Notes may be limited and there is no assurance given as to the price offered by a market-maker, liquidity provider, specialist or bid intermediary or the impact of any such quoted prices on those available in the wider market and any such activities may be affected by legal restrictions in certain jurisdictions.

The appointment of an entity acting as a market maker, liquidity provider, specialist or bid intermediary with respect to the Notes, may, under certain circumstances, have a relevant impact on the price of the Notes in the secondary market.

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

If it is possible to sell Notes, they would be sold for the prevailing bid price in the market and may be subject to a transaction fee. The prevailing bid price may be affected by several factors including the performance of any relevant Reference Item, prevailing interest rates at the time of sale, the time remaining to the stated maturity date, the creditworthiness of the Issuer and factors affecting the capital markets generally. The introduction of additional or competing products in the market may also have a negative effect on the price of any Notes. It is therefore possible that an investor selling Notes in the secondary market may receive substantially less than their original purchase price.

### 9.3 Exchange rate risks and exchange controls

The Issuer will pay principal and any Interest Amounts on the Notes 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 Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payment in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Where the Notes are denominated in a Specified Currency from an emerging or volatile market, investors should note that the risk of the occurrence and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries. Such Notes should be considered speculative. Economies in emerging or volatile markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for such currency in the global markets. These factors will also impact the market value of the Notes (see risk factor 9.4).

**9.4 Market Value of Notes**

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

(i) the value and volatility of the Reference Item(s);

(ii) in the case of Credit Linked Notes, the creditworthiness of the Reference Entity or Reference Entities;

(iii) where the Reference Item(s) is/are equity securities, the dividend rate on the Reference Item(s) and the financial results and prospects of the issuer of each Reference Item;

(iv) market interest and yield rates;

(v) fluctuations in exchange rates;

(vi) liquidity of the Notes or any Reference Item(s) in the secondary market;

(vii) the time remaining to any redemption date or the maturity date; and

(viii) economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded.

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

**9.5 Credit ratings may not reflect all risks**

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

In general, European regulated investors are restricted under the CRA Regulation (as defined on the cover page of this Base Prospectus) 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 Notes and Markets Authority ("**ESMA**") on its website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) 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 of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

### 9.6 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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

## DOCUMENTS INCORPORATED BY REFERENCE

*This section incorporates by reference selected publicly available information regarding the Issuer and the Guarantor that should be read in conjunction with this Base Prospectus.*

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF, shall be incorporated by reference in, and form part of, this Base Prospectus:

(a) the audited non-consolidated annual financial statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015, together, in each case, with the notes and the related auditors' report;

(b) the audited consolidated annual financial statements of the Guarantor for the financial years ended 31 December 2014 and 31 December 2015, together, in each case, with the notes and the related auditors' report and for the year ended 31 December 2015, the ratios set out in "Additional Information"; and

(c) the base prospectus dated 25 June 2015 relating to the EUR 15,000,000,000 Wholesale Euro Medium Term Note Programme of KBC IFIMA S.A. (formerly known as KBC Internationale Financieringsmaatschappij N.V.) and guaranteed by KBC Bank NV.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in a document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the Luxembourg Stock Exchange's website at www.bourse.lu, the Issuer's website at www.kbc.com and from the registered office of the Issuer. This Base Prospectus will also be published on the Luxembourg Stock Exchange's website at www.bourse.lu and on the website of the Issuer at www.kbc.com.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Notes or any change in the condition of the Issuer which is material in the context of the Programme or the issue of any Notes, prepare and publish a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes. Furthermore, each of the Issuer and the Guarantor has undertaken to the Dealers in the Programme Agreement that it will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of the Issuer or the Guarantor which is not reflected in this Base Prospectus, prepare a further supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of the Notes to be listed on the official list of the Luxembourg Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new base prospectus will be prepared.

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* Page references are to the English language PDF version of the relevant documents incorporated by reference.

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of the Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

## GENERAL DESCRIPTION OF THE PROGRAMME

*This section contains a general overview of the different types of Notes which can be issued under the Programme.*

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency (and having a minimum maturity of one year), subject as set out herein. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as completed by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Base Prospectus and any supplement will only be valid for issuing Notes in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed EUR 15,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(b) the euro equivalent of Index Linked Notes, Equity Linked Notes, Inflation Linked Notes, Currency Linked Notes, Commodity Linked Notes, Fund Linked Notes, Credit Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

## FORM OF FINAL TERMS

*This section sets out a template for the Final Terms to be used for each specific Notes issuance.*

*The following is the form of Final Terms which will be completed in relation to each Tranche of Notes (References to numbered Conditions are to the Conditions of the relevant Notes):*

[Date]

**KBC IFIMA S.A.**

*(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 5, place de la Gare, L-1616 Luxembourg and registered with the RCS Luxembourg under number B 193577)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**[Principal protected]/[Principal not protected]**

**Guaranteed by KBC Bank NV**
**under the EUR 15,000,000,000**

**Wholesale Euro Medium Term Note Programme**

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the base prospectus dated 21 June 2016,[ as supplemented by a supplement dated [●] ,] [together] the "**Base Prospectus**", which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of a combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [is] [and the supplements are] available on the website of the Luxembourg Stock Exchange at www.bourse.lu and the website of the Issuer at www.kbc.com and copies may be obtained during normal business hours at the registered office of the Issuer. [A copy of the Final Terms will be available on the website of the Luxembourg Stock Exchange at www.bourse.lu and on the website of the Issuer at www.kbc.com.]

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

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the base prospectus dated 25 June 2015, which are incorporated by reference in the base prospectus dated 21 June 2016 [as supplemented by a supplement dated [●],] ([together] the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 21 June 2016 which constitutes a base prospectus for the purposes of the Prospectus Directive save in respect of the Conditions which are extracted from the base prospectus dated 25 June 2015 and are incorporated by reference in the Base Prospectus dated 21 June 2016. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the base prospectus dated 25 June 2015 (with respect to conditions set forth herein) and the Base Prospectus dated 21 June 2016 (other than with respect to Conditions set forth herein [and the supplement dated [●]]. The Base Prospectus dated 21 June 2016 is available on the website of the Luxembourg Stock Exchange at www.bourse.lu and the website of KBC at www.kbc.com and copies may be obtained during normal business hours at the registered office of the Issuer. The base prospectus dated 25 June 2015 is available at the website of the

Issuer at www.kbc.be. [A copy of the Final Terms will be available on the website of the Luxembourg Stock Exchange at www.bourse.lu and on the website of the Issuer at www.kbc.com.]

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

## GENERAL DESCRIPTION OF THE NOTES

| | | |
|---|---|---|
| 1 | (i) Series Number: | [●] |
| | (ii) Tranche Number: | [●] |
| | (iii) Date on which the Notes will be consolidated and form a single Series: | [The notes will be consolidated, form a single Series and be interchangeable for trading purposes with [*identify earlier Tranches*] on the [the Issue Date/exchange of the Temporary Global Note for interest in the Permanent Global Note, as referred to in paragraph [37] below][Not Applicable]<br>(*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)* |
| 2 | Specified Currency: | [●] |
| 3 | Aggregate Nominal Amount: | |
| | (i) Series: | [●] |
| | (ii) Tranche: | [●] |
| 4 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*]] |
| 5 | (i) Specified Denominations: | [●]<br>*(If only one Specified Denomination, insert the Specified Denomination.)* |
| | (ii) Calculation Amount: | [●]<br>*(If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)* |
| 6 | Issue Date: | [●] |
| 7 | (i) Maturity Date: | [●]/[Interest Payment Date falling in [or nearest to] [*specify month and year*]/[[●] Business Days after the [final] Valuation Date, expected to be [●]] (the "**Scheduled Maturity Date**"). |
| | (ii) Business Day Convention for Maturity Date: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ Not Applicable] |
| | (iii) Additional Business Centre(s): | [Not Applicable]/[*specify other financial centres required for the Business Day definition*] |
| 8 | Interest Basis | [Fixed Rate Notes]<br>[Floating Rate Notes]<br>[Zero Coupon Notes]<br>[Range Accrual Notes]<br>[Index Linked Interest Notes]<br>[Equity Linked Interest Notes]<br>[Inflation Linked Interest Notes] |

[Currency Linked Interest Notes]

[Fund Linked Interest Notes]

[Commodity Linked Interest Notes]

[non-interest bearing]

[Where Credit Linked Notes are applicable, see also paragraph 35.]

(*Specify one or more Interest Bas(is)(es) that appl(ies)(y) and specify further particulars in paragraphs 13 to 23 below, as applicable*)

9 Redemption/Payment Basis: [Fixed Redemption Notes]

[Partly Paid Notes]

[Instalment Notes]

[Autocall Notes]

[Index Linked Redemption Notes]

[Equity Linked Redemption Notes]

[Inflation Linked Redemption Notes]

[Currency Linked Redemption Notes]

[Commodity Linked Redemption Notes]

[Credit Linked Notes]

(*Specify one or more Redemption/Payment Bas(is)(es) that appl(ies)(y) and specify further particulars in paragraph 35 below, as applicable*)

10 Put/Call Options:

(i) Investor Put: [Applicable][Not Applicable]
(*further particulars specified in paragraph 26 below*)

(ii) Issuer Call: [Applicable][Not Applicable]
(*further particulars specified in paragraph 25 below*)

11 Tax Gross-Up: [Condition 14*(a)* applicable]/[Condition 14*(b)* applicable]

*(N.B. Only one of Conditions 14(a) and 14(b) should be specified as applicable. If Condition 14(a) is specified as applicable, Condition 5(b) will be applicable. If Condition 14(b) is specified as applicable, Condition 5(b) will not be applicable)*

12 Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13 **Fixed Rate Notes** [Applicable/Not Applicable]

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

(i) Rate[s] of Interest: [[●] per cent. per annum]

| [**Rate of Interest** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. per annum | [●] | [●] |
| [●] per cent. per annum | [●] | [●] |
| [●] per cent. per annum | [●] | [●]] |

*(Use table format if there are different Rates of Interest for*

| | | |
|---|---|---|
| | | *specific Interest Periods)*<br>[Payable annually/semi-annually/quarterly/monthly in arrear] |
| (ii) | Interest Commencement Date: | [●]/[Issue Date] |
| (iii) | Interest Period End Date(s): | [●] in each year, starting on [●], up to and including the [●]<br>(*NB: This will need to be amended in the case of long or short coupons*) |
| (iv) | Business Day Convention for Interest Period End Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (v) | Interest Payment Date(s): | [[●] in each year, starting on [●], up to and including[ the Maturity Date] [●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (vi) | Business Day Convention for Interest Payment Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (vii) | Additional Business Centre(s): | [Not Applicable][*please specify other financial centres required for the Business Day definition*] |
| (viii) | Fixed Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual (ICMA)]<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360] or [360/360] or [Bond Basis]<br>[30E/360] or [Eurobond Basis]<br>[30E/360 (ISDA)]<br>[1/1] |
| (ix) | Determination Date(s): | [[●] in each year][Not Applicable]<br>*(Insert regular Interest Period End Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*<br>*This will need to be amended where Interest Periods are not of equal duration. NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ICMA)*) |
| 14 | **Floating Rate Notes** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Interest Commencement Date: | [●]/[Issue Date] |
| (ii) | Interest Period End Dates: | [●] in each year, starting on [●], up to and including the [●]<br>(*NB: This will need to be amended in the case of long or short coupons*) |
| (iii) | Business Day Convention for Interest Period End Dates: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (iv) | Interest Payment Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date] [●]][Interest Payment Dates will correspond to Interest Period End Dates] |
| (v) | Business Day Convention for | [Following Business Day Convention/Modified Following |

| | | |
|---|---|---|
| | Interest Payment Dates: | Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (vi) | Additional Business Centre(s): | [Not Applicable][*please specify other financial centres required for the Business Day definition*] |
| (vii) | Interest Variable Option: | [ISDA Determination]<br>[Screen Rate Determination]<br>[Rates Variance]<br>[Asian Option – Interest Rates]<br>[Digital Option]<br>*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)* |
| (viii) | Party responsible for calculating the Variable Rate(s) of Interest and Interest Amount(s): | [Agent/Calculation Agent/*specify other*] |
| (ix) | Interest Multiplier: | [[+/-][100]/[●] per cent.][As set out under Digital Option below]<br>*(This may be a negative value.)* |
| (x) | Margin: | [[+/-] [●] per cent. per annum][As set out under Digital Option below] |
| (xi) | ISDA Determination | [Applicable/Not Applicable]<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph.)* |
| | [– Floating Rate Option | [●] |
| | – Designated Maturity | [●] |
| | – Reset Date | [The first day of each Interest Period/[●]]] |
| (xii) | Screen Rate Determination: | [Applicable/Not Applicable]<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | – [Reference Rate: | [LIBOR][EURIBOR][CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD] |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*] |
| (xiii) | Rates Variance: | [Applicable/Not Applicable]<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | – $Rate_1$: | [[●] per cent. per annum]<br>[As determined in accordance with the following elections: |
| | – $Rate_1$ Variable Option: | [ISDA Determination]<br>[Screen Rate Determination]<br>*(Include the below if ISDA Determination is applicable)* |
| | – [Floating Rate | [Not Applicable / |

Option: [●]]

– Designated Maturity: [Not Applicable /
[●]]

– Reset Date: [Not Applicable /
The first day of each Interest Period/[●]]]
*(Include the below if Screen Rate Determination is applicable)*

– [Reference Rate: [LIBOR] [EURIBOR][CMS rate]

– Interest Determination Date(s): [Not Applicable /
[●][Standard IDD][Arrears IDD]
*(Specify as necessary)*]

– Relevant Screen Page: [Not Applicable /
[[●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]]

– $Rate_2$: [[●] per cent. per annum]
[As determined in accordance with the following elections:

– $Rate_2$ Variable Option: [ISDA Determination]
[Screen Rate Determination]
*(Include the below if ISDA Determination is applicable)*

– [Floating Rate Option: [Not Applicable /
[●]]

– Designated Maturity: [Not Applicable /
[●]]

– Reset Date: [Not Applicable /
The first day of each Interest Period/[●]]]
*(Include the below if Screen Rate Determination is applicable)*

– [Reference Rate: [LIBOR] [EURIBOR] [CMS rate]

– Interest Determination Date(s): [Not Applicable
[●][Standard IDD][Arrears IDD]
*(Specify as necessary)*]

– Relevant Screen Page: [Not Applicable /
[●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]]

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xiv) Asian Option – Interest Rates: [Applicable/Not Applicable]
*(If not applicable, delete the remaining sub-paragraphs of this*

*paragraph)*

– $Rate_t$: As determined in accordance with the following elections:

– $Rate_t$ Variable Option: [ISDA Determination]
[Screen Rate Determination]
*(If ISDA Determination applies, insert relevant information below for determining $Rate_t$)*

– [Floating Rate Option: [Not Applicable/[●]]

– Designated Maturity: [Not Applicable/[●]]

– Reset Date: [Not Applicable /The first day of each Interest Period/[●]]]
*(If Screen Rate Determination applies, insert relevant information below for determining $Rate_t$)*

– [Reference Rate: [LIBOR ][EURIBOR][CMS]

– Interest Determination Dates(s):

| **[Interest Determination Dates** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●]] |

*(Insert the different Interest Determination Date(s) for the purpose of determining each $Rate_t$)*]

– Relevant Screen Page: [Not Applicable/[●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]]

(xv) Digital Option: [Applicable/Not Applicable]
*(If not applicable, delete the remaining sub-paragraphs of this paragraph.)*

– Digital Option Type: Interest Rates

– Reference Rate: [LIBOR][EURIBOR][CMS]

– Interest Determination Date(s): [●] [Standard IDD][Arrears IDD]
*(Specify as necessary)*

– Relevant Screen Page: [●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*

– Digital Option Payment Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]

[Less Than Or Equal To]

– Digital Option Variable Interest Determination Method: [ISDA Determination]
[Screen Rate Determination]
*(insert the below if ISDA Determination applies)*

  – [Floating Rate Option: [LIBOR][EURIBOR][CMS]

  – Designated Maturity: [●]

  – Reset Date: [first day of the relevant Interest Period] [●]]
*(insert the below if Screen Rate Determination applies)*

  – [Reference Rate: [LIBOR][EURIBOR][CMS]

  – Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
*(Specify as necessary)*

  – Relevant Screen Page: [●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]

– Digital Option Strike: [●] per cent.
[ISDA Determination]
[Screen Rate Determination]
*(If ISDA Determination applies, insert the below information for determining Digital Option Variable)*

  – [Floating Rate Option: [Not Applicable/[●]]

  – Designated Maturity: [Not Applicable/[●]]

  – Reset Date: [Not Applicable/The first day of each Interest Period/[●]]]
*(If Screen Rate Determination applies, insert the below information for determining Digital Option Variable)*

  – [Reference Rate: [LIBOR][EURIBOR][CMS]

  – Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
*(Specify as necessary.)*

  – Relevant Screen Page: [●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]]

  – Interest Multiplier: [+/-][100]/[●] per cent.
*(This may be a negative value.)*

  – Margin: [+/-] [●] per cent. per annum

– Scaling Factor [[100]/[●] per cent.]

[**Scaling Factor**

| | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |

[●] per cent. [●] [●]]

– Digital Option Exercised Rate: [[●] per cent. per annum]
[As determined in accordance with the Digital Option Payment Determination Method]

– Digital Option Payment Determination Method: [Not Applicable]
[ISDA Determination]
[Screen Rate Determination]
[Collar – ISDA Rate]
[Collar – Screen Rate]
*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

– [Floating Rate Option: [LIBOR][EURIBOR][CMS]

– Designated Maturity: [●]

– Reset Date: [first day of the relevant Interest Period][●]]
*(If Screen Rate Determination or Collar - Screen Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

– [Reference Rate: [LIBOR][EURIBOR][CMS]

– Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
*(Specify as necessary)*

– Relevant Screen Page: [●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]
(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Payment Determination Method, insert the below information)*

– [Cap Rate: [●]/[Infinity]

– Floor Rate: [●]/[Zero]

– Collar Margin: [+/-] [●] per cent. per annum]

– Interest Multiplier: [+/-][100]/[●] per cent.
*(This may be a negative value.)*

– Margin: [+/-] [●] per cent. per annum

– Digital Option Fallback Rate: [Zero]
[[●] per cent. per annum]
[ISDA Determination]
[Screen Rate Determination]
[Collar – ISDA Rate]
[Collar – Screen Rate]
*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determining Digital Option Fallback Rate)*

– [Floating Rate Option: [LIBOR][EURIBOR][CMS]

| | | |
|---|---|---|
| | – Designated Maturity: | [●] |
| | – Reset Date: | [first day of the relevant Interest Period][●]]<br>*(If Screen Rate Determination or Collar - Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |
| | – [Reference Rate: | [LIBOR][EURIBOR][CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Fallback Rate, insert the below information)* |
| | – [Cap Rate: | [●]/[Infinity] |
| | – Floor Rate: | [●]/[Zero] |
| | – Collar Margin: | [+/-] [●] per cent. per annum] |
| | – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| | – Margin: | [+/-] [●] per cent. per annum |
| (xvi) | Minimum Rate of Interest: | [●] per cent. per annum |
| (xvii) | Maximum Rate of Interest: | [●] per cent. per annum<br>*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)* |
| (xviii) | Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360] or [360/360] or [Bond Basis]<br>[30E/360] or [Eurobond Basis]<br>[30E/360 (ISDA)]<br>[1/1] |
| 15 | **Range Accrual Notes** | [Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Interest Commencement Date: | [●]/[Issue Date] |
| (ii) | Interest Period End Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (iii) | Business Day Convention for Interest Period End Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day |

| | | |
|---|---|---|
| | | Convention/Not Applicable] |
| (iv) | Interest Payment Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]] [Interest Payment Dates will correspond to Interest Period End Dates] |
| (v) | Business Day Convention for Interest Payment Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (vi) | Additional Business Centre(s): | [●] (*please specify other financial centres required for the Business Day definition)* |
| (vii) | Minimum Range Accrual Rate of Interest: | [●] per cent. per annum |
| (viii) | Maximum Range Accrual Rate of Interest: | [●] per cent. per annum |
| (ix) | Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360] or [360/360] or [Bond Basis]<br>[30E/360] or [Eurobond Basis]<br>30E/360 (ISDA)<br>[1/1] |
| (x) | RA Base Rate: | [Fixed Rate: [●] per cent. per annum]:<br>[ISDA Determination]<br>[Screen Rate Determination]<br>(*If ISDA Determination applies, insert relevant information below*) |
| | – [Floating Rate Option: | [Not Applicable/[●]] |
| | – Designated Maturity: | [Not Applicable/[●]] |
| | – Reset Date: | [Not Applicable/The first day of each Interest Period/[●]]]<br>(*If Screen Rate Determination applies, insert relevant information below*) |
| | – [Reference Rate: | [LIBOR][EURIBOR][CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*] |
| (xi) | Variable 1: | Applicable<br>(*If ISDA Determination applies, insert relevant information below*) |
| | – [Floating Rate Option: | [Not Applicable/[●]] |

| | | |
|---|---|---|
| | – Designated Maturity: | [Not Applicable/[●]] |
| | – Reset Date: | [Not Applicable/The first day of each Interest Period/[●]]]<br>(*If Screen Rate Determination applies, insert relevant information below*) |
| | – [Reference Rate: | [LIBOR] [EURIBOR] [CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*] |
| | (xii) Variable 2: | [Applicable] [Not Applicable]<br>*(There need not be a Variable 2 – If not applicable, delete the remaining sub-paragraphs of this paragraph)*<br>(*If ISDA Determination applies, insert relevant information below*) |
| | – [Floating Rate Option: | [Not Applicable/[●]] |
| | – Designated Maturity: | [Not Applicable/[●]] |
| | – Reset Date: | [Not Applicable/The first day of each Interest Period/[●]]]<br>(*If Screen Rate Determination applies, insert relevant information below*) |
| | – [Reference Rate: | [LIBOR] [EURIBOR] [CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*] |
| | (xiii) Upper Threshold: | [●] per cent. |
| | (xiv) Lower Threshold: | [●] per cent. |
| | (xv) Range Accrual Condition: | [Between (Inclusive)]<br>[Between (Exclusive)]<br>[Greater Than Lower Threshold]<br>[Greater Than Or Equal To Lower Threshold]<br>[Less Than Lower Threshold]<br>[Less Than Or Equal To Lower Threshold]] |
| 16 | **Zero Coupon Notes** | [Applicable/Not Applicable]<br>*(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | (i) Amortisation Yield: | [●] per cent. per annum |
| | (ii) Amortisation Yield Compounding Basis: | [annually/semi-annually] |
| 17 | **Index Linked Interest Notes** | [Applicable/Not Applicable] |

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

| | | |
|---|---|---|
| (i) | Interest Commencement Date: | [●]/[Issue Date] |
| (ii) | Interest Period End Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (iii) | Business Day Convention for Interest Period End Dates: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (iv) | Interest Payment Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (v) | Business Day Convention for Interest Payment Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (vi) | Additional Business Centre(s): | [●] (*please specify other financial centres required for the Business Day definition)* |
| (vii) | Interest Variable Option: | [Evolution of Index]<br>[Evolution of Basket of Indices]<br>[Asian Option – Index]<br>[Asian Option – Basket of Indices]<br>[Digital Option]<br>[Single Fixing – Index]<br>[Asian Fixing – Index]<br>*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)* |
| (viii) | Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360] or [360/360] or [Bond Basis]<br>[30E/360] or [Eurobond Basis]<br>[30E/360 (ISDA)]<br>[1/1] |
| (ix) | Whether the Notes relate to a basket of indices or a single index, and the identity of the relevant index/indices and details of the relevant Sponsors: | Index: *[name and short description of type of index]*<br>Index Sponsor: *[specify]*<br>Multiplier (per cent.): *[specify]*<br>Exchange: *[specify]* |

| | |
|---|---|
| Related Exchange: | [All Exchanges]*[specify]* |
| Designated Multi-Exchange Index: | [Applicable][Not Applicable] |
| Valuation Time: | *[specify]* |

[The Index is a Designated Multi-Exchange Index.]

(*N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed*)

***[The following apply only to Notes with an index basket component]:***

A basket composed of Indices as specified below:

| | |
|---|---|
| Index: | [*name and short description of type of index.]* |
| Index Sponsor: | [*specify*] |
| Multiplier (per cent.): | [*specify*] |
| Exchange: | [*specify*] |
| Related Exchange: | [All Exchanges][*specify*] |
| Designated Multi-Exchange Index: | [Applicable][Not Applicable] |
| Valuation Time: | [*specify*] |

[The Index is a Designated Multi-Exchange Index]

(*N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed*)

[*Replicate the details in respect of each Index in the Basket*]

(x) Interest Multiplier: [[+/-][100]/[●] per cent.][As set out under Digital Option below]

*(This may be a negative value.)*

(xi) Margin: [[+/-] [●] per cent. per annum][As set out under Digital Option below]

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

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

*(With respect to any Interest Period, insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*

(xiv) Index Linked Interest Payment Extension Number: [●]

(xv) Valuation Time: [Condition 6*(d)* applies/*other*]

(xvii) Correction of Index Levels: Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].

(xviii) Correction Cut-Off Date: [[●] Business Days prior to each Interest Payment Date/Not Applicable.]

(xix) Evolution of Index: [Applicable/Not Applicable]

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

– Valuation Dates:

| **[Valuation Date$_t$** | **Interest Period** |
|---|---|

| | | From (and including) | To (but excluding) |
|---|---|---|---|
| | [●] | [●] | [●] |
| | [●] | [●] | [●] |
| | [●] | [●] | [●]] |

– $Index_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xx) Evolution of Basket of Indices: [Applicable/Not Applicable]

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

– Valuation Dates:

| **[Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

– Index $Basket_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xxi) Asian Option – Index: [Applicable/Not Applicable]

– $Index_{initial}$ Valuation Date(s): [●],[●],[●]

– Valuation Dates:

| **[Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●]. [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●]] |

(*Insert the different Valuation Dates for the purpose of determining each $Index_t$*)

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxii) Asian Option – Basket of Indices: [Applicable/Not Applicable]

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

– Index $Basket_{initial}$ Valuation Date(s): [●],[●],[●]

– Valuation Dates:

**[Valuation Dates$_t$** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●]. [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●]] |

(*Insert the different Valuation Dates for the purpose of determining each Index Basket$_t$*)

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxiii) Digital Option: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert the relevant variables within the corresponding paragraph below)*

– Digital Option Type: [Index] [Basket of Indices]

– Digital Option Payment Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]
[Less Than Or Equal To]

– Valuation Dates: **[Valuation Date** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] | [●] | [●] |

| | | |
|---|---|---|
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

– Digital Option Strike: [[●]

*(Insert relevant level or specify Index Determination and insert the relevant Variables within the corresponding paragraph below)*

[Index Determination

– Valuation Dates:

| **Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor**

| | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |

– Digital Option Exercised Rate: [[●] per cent. per annum]

[As determined in accordance with the Digital Option Payment Determination Method]

– Digital Option Payment Determination Method: [Not applicable]

[ISDA Determination]

[Screen Rate Determination]

[Collar – ISDA Rate]

[Collar – Screen Rate]

*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)*

– [Floating Rate Option: [LIBOR][EURIBOR][CMS]

– Designated Maturity: [●]

– Reset Date: [first day of the relevant Interest Period][●]]

*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

– [Reference Rate: [LIBOR][EURIBOR][CMS]

– Interest Determination Date(s): [●][Standard IDD][Arrears IDD]

*(Specify as necessary)*

– Relevant Screen Page: [●]

[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)

*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is*

| | |
|---|---|
| | *a page which shows a composite rate)*] |
| | (*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Payment Determination Method, insert the below information)* |
| – [Cap Rate: | [●]/[Infinity] |
| – Floor Rate: | [●]/[Zero] |
| – Collar Margin: | [+/-] [●] per cent. per annum]] |
| – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| – Margin: | [+/-] [●] per cent. per annum |
| – Digital Option Fallback Rate: | [Zero]<br>[[●] per cent. per annum]<br>[ISDA Determination]<br>[Screen Rate Determination]<br>[Collar – ISDA Rate]<br>[Collar – Screen Rate]<br>*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)* |
| – [Floating Rate Option: | [LIBOR][EURIBOR][CMS] |
| – Designated Maturity: | [●] |
| – Reset Date: | [first day of the relevant Interest Period][●]]<br>*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |
| – [Reference Rate: | [LIBOR][EURIBOR][CMS] |
| – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Fallback Rate, insert the below information)* |
| – [Cap Rate: | [●]/[Infinity] |
| – Floor Rate: | [●]/[Zero] |
| – Collar Margin: | [+/-] [●] per cent. per annum]] |
| – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| – Margin: | [+/-] [●] per cent. per annum |
| (xxiv) Single Fixing – Index: | [Applicable]/[Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| – Denominator: | [●] |

– Valuation Dates:

| [Valuation Date$_t$ | Interest Period | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

(xxv) Asian Fixing – Index: [Applicable]/[Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*

– Denominator: [●]

– Valuation Dates:

| [Valuation Dates$_t$ | Interest Period | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●]] |

(*Insert the different Valuation Dates for the purpose of determining each Index$_t$*)]

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

18 **Equity Linked Interest Notes**: [Applicable/Not Applicable]
(*If not applicable, delete remaining sub-paragraphs of this paragraph*)

(i) Interest Commencement Date: [●]/[Issue Date]

(ii) Interest Period End Dates: [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates]

(iii) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

(iv) Interest Payment Dates: [[●] in each year starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates]

(v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

(vi) Additional Business Centre(s): [*specify other financial centres required for the Business Day definition*][Not Applicable]

(vii) Interest Variable Option: [Evolution of Underlying Equity]
[Evolution of Basket of Underlying Equities]
[Asian Option – Underlying Equity]
[Asian Option – Basket of Underlying Equities]
[Digital Option]

*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)*

(viii) Day Count Fraction: (*Specify one of the options listed below*)

[Actual/Actual] or [Actual/Actual (ISDA)]

[Actual/365 (Fixed)]

[Actual/365 (Sterling)]

[Actual/360]

[30/360] or [360/360] or [Bond Basis]

[30E/360] or [Eurobond Basis]

[30E/360 (ISDA)]

[1/1]

(ix) The identity of the relevant Equity Issuer(s) of the equity security/equity securities in the basket: [*Give or annex details of the relevant Underlying Equities/Underlying Equity, as applicable*]:

***[The following apply only to Notes which have a single equity component]:***

| | |
|---|---|
| Underlying Equity: | *[name and short description of type of shares (which, if "ETF Share" is specified below as applicable, will be the EFT Shares)]* issued by the Equity Issuer (ISIN: [●]) |
| ETF Share: | [Applicable/Not applicable] |
| Underlying Equity Currency: | *[specify]* |
| Equity Issuer: | *[specify](in the case of ETF Shares, specify the relevant ETF Issuer)* |
| Exchange: | *[specify]* |
| Related Exchange: | [All Exchanges]*[specify]* |

[*(The following additional provisions apply only where the relevant equity component is an ETF Share):*

| | |
|---|---|
| ETF Advisor: | *[specify]* |
| ETF Administrator: | *[specify]* |
| Reference Index: | *[specify]* |

***[The following apply only to Notes with an equity basket component]:***

A basket composed of Underlying Equities in the relative proportions of Underlying Equities of each Equity Issuer specified below:

| | |
|---|---|
| Underlying Equity: | *[name and short description of type of shares (which, if "ETF Share" is specified below as applicable, will be the EFT Shares)]* issued by the Equity Issuer (ISIN: [●]) |
| ETF Share: | [Applicable/Not applicable] |
| Underlying Equity Currency: | *[specify]* |

| | | |
|---|---|---|
| | Equity Issuer: | *[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)* |
| | Multiplier (per cent.): | *[specify]* |
| | Exchange: | *[specify]* |
| | [*(The following additional provisions apply only where the relevant equity component is an ETF Share):* | |
| | ETF Advisor: | ETF Advisor: |
| | ETF Administrator: | ETF Administrator: |
| | Reference Index: | Reference Index: |
| | Related Exchange: | [All Exchanges]*[specify]* |
| | [*Replicate the details in respect of each Equity in the Basket*] | |

(x) Interest Multiplier: [+/-][100]/[●] per cent.][As set out under Digital Option below]
*(This may be a negative value.)*

(xi) Margin: [[+/-] [●] per cent. per annum][As set out under Digital Option below]

(xii) Minimum Rate of Interest: [●]

(xiii) Maximum Rate of Interest: [●]
*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*

(xiv) Equity Linked Interest Payment Extension Number: [●]

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

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

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

(xviii) Valuation Time: [Condition 7*(d)* applies/*specify alternative time*]

(xix) Exchange Rate: [Applicable/Not Applicable]

[*Insert details*]

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

(xxi) Correction Cut-Off Date: [[●] Business Days prior to each Interest Payment Date/Not Applicable.]

(xxii) Trade Date: [●]

(xxiii) Evolution of Underlying Equity: [Applicable/Not Applicable]
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

– Valuation Dates:

| **Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **From (and including)** |

| | | |
|---|---|---|
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– $Equity_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xxiv) Evolution of Basket of Underlying Equities: [Applicable/Not Applicable]
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

– Valuation Dates:

| **Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Equity $Basket_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xxv) Asian Option – Underlying Equity [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– $Equity_{initial}$ Valuation Date(s): [●], [●], [●]

– Valuation Dates:

| **Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |

| | | | |
|---|---|---|---|
| | [●], [●], [●] | [●] | [●] |

(*Insert the different Valuation Dates for the purpose of determining each Equity$_t$*)

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxvi) Asian Option – Basket of Underlying Equities: [Applicable/Not Applicable]

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

– Equity Basket$_{initial}$ Valuation Date(s): [●], [●], [●]

– Valuation Dates:

**Valuation Dates$_t$** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| **[●], [●], [●]** | **[●]** | **[●]** |
| **[●], [●], [●]** | **[●]** | **[●]** |
| **[●], [●], [●]** | **[●]** | **[●]** |

*(Insert the different Valuation Dates for the purpose of determining each Equity Basket$_t$)*

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxvii) Digital Option: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert the relevant variables within the corresponding paragraph below)*

– Digital Option Type: [Basket of Underlying Equities][Underlying Equity]

– Digital Option Payment Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]
[Less Than Or Equal To]

– Valuation Dates:

**[Valuation Date** **Interest Period**

| | From (and including) | To (but excluding) |
|---|---|---|
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

– Digital Option Strike: [[●]
(*Insert relevant level or specify Equity Determination and insert the relevant Variables within the corresponding paragraph below*)
[Equity Determination]

– Valuation Dates:

| **Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Digital Option Exercised Rate: [[●] per cent. per annum]
[As determined in accordance with the Digital Option Payment Determination Method]

– Digital Option Payment Determination Method: [Not applicable]
[ISDA Determination]
[Screen Rate Determination]
[Collar – ISDA Rate]
[Collar – Screen Rate]
*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)*

– [Floating Rate Option: [LIBOR][EURIBOR][CMS]

– Designated Maturity: [●]

– Reset Date: [first day of the relevant Interest Period][●]]
*(If Screen Rate Determination or Collar - Screen Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

– [Reference Rate: [LIBOR][EURIBOR][CMS]

– Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
*(Specify as necessary)*

– Relevant Screen [●]

| | | |
|---|---|---|
| | Page: | [Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Payment Determination Method, insert the below information)* |
| | – [Cap Rate: | [●]/[Infinity] |
| | – Floor Rate: | [●][Zero] |
| | – Collar Margin: | [+/-] [●] per cent. per annum] |
| | – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| | – Margin: | [+/-] [●] per cent. per annum |
| | – Digital Option Fallback Rate: | [Zero]<br>[[●] per cent. per annum]<br>[ISDA Determination]<br>[Screen Rate Determination]<br>[Collar – ISDA Rate]<br>[Collar – Screen Rate]<br>*(If ISDA Determination /or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)* |
| | – [Floating Rate Option: | [LIBOR][EURIBOR][CMS] |
| | – Designated Maturity: | [●] |
| | – Reset Date: | [first day of the relevant Interest Period][●][<br>*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |
| | – [Reference Rate: | [LIBOR][EURIBOR][CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Fallback Rate, insert the below information)* |
| | – [Cap Rate: | [●]/[Infinity] |
| | – Floor Rate: | [●]/[Zero] |
| | – Collar Margin: | [+/-] [●] per cent. per annum]] |
| | – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| | – Margin: | [+/-] [●] per cent. per annum |
| 19 | **Inflation Linked Interest Notes** | [Applicable/Not Applicable] |

| | | |
|---|---|---|
| | | (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Interest Commencement Date: | [●]/[Issue Date] |
| (ii) | Interest Period End Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (iii) | Business Day Convention for Interest Period End Dates: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (iv) | Interest Payment Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (v) | Business Day Convention for Interest Payment Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (vi) | Additional Business Centre(s): | [Not Applicable][*specify other financial centres required for the Business Day definition*] |
| (vii) | Interest Variable Option: | [Evolution of Inflation]<br>[Asian Option – Inflation]<br>[Digital Option]<br>*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)* |
| (viii) | Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360] or [360/360] or [Bond Basis]<br>[30E/360] or [Eurobond Basis]<br>[30E/360 (ISDA)]<br>[1/1] |
| (ix) | Inflation Index: | [●]<br>Sponsor: [●]<br>[The Inflation Index is a Designed Multi-Exchange Index]<br>[*Give or annex details*] |
| (x) | Interest Multiplier: | [+/-][100]/[●] per cent.][As set out under Digital Option below]<br>*(This may be a negative value.)* |
| (xi) | Margin: | [[+/-] [●] per cent. per annum][As set out under Digital Option below] |
| (xii) | Minimum Rate of Interest: | [●] |
| (xiii) | Maximum Rate of Interest: | [●]<br>(*Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest*) |
| (xiv) | Relevant Payment Date: | [[●] in each year starting on [●], up to and including [the Maturity Date][●]]/[Each Interest Payment Date [and][The][ |

Maturity Date]

(xv) Relevant Determination Date(s): [*Specify/*Five Business Days prior to [each/the] Relevant Payment Date]

(xvi) Related Bond(s): [Applicable/Not Applicable]
[*Specify for an Index*/Fallback Bond]

(xvii) Issuer(s) of Related Bond(s): [●]/[Not Applicable]

(xviii) Fallback Bond(s): [Applicable/Not Applicable]
[*Specify for an Index*/The bond determined as provided in Condition 8]

(xix) Period of Cessation of Publication: [2 consecutive months/*specify other*]

(xx) Evolution of Inflation: [Applicable/Not Applicable]
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

– $Inflation_{initial}$ Reference Month: [●]

– Reference Month(s):

| **Reference Months** | **Relevant Payment Dates** | **Interest Periods** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] | [●] |
| [●] | [●] | [●] | [●] |
| [●] | [●] | [●] | [●] |

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xxi) Asian Option – Inflation: [Applicable/Not Applicable]

– $Inflation_{initial}$ Reference Month(s): [●],[●],[●]

– Reference Month(s):

| **Reference $Months_t$** | **Relevant Payment Dates** | **Interest Periods** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| [●], [●] ,[●] | [●] | [●] | [●] |
| [●], [●] ,[●] | [●] | [●] | [●] |
| [●], [●] ,[●] | [●] | [●] | [●] |

(*Insert the different Reference Months for the purpose of determining each* $Inflation_t$)

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xxii) Digital Option: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert the relevant variables within the corresponding paragraph below)*

– Digital Option Type: Inflation

– Digital Option Payment Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]
[Less Than Or Equal To]

– Reference Months:

| **Reference Months** | **Relevant Payment Dates** | **Interest Periods** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] | [●] |
| [●] | [●] | [●] | [●] |
| [●] | [●] | [●] | [●] |

– Digital Option Strike: [[●]
*(Insert relevant level)*
[Inflation Determination]

– Reference Months:

| **Reference Months** | **Relevant Payment Dates** | **Interest Periods** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] | [●] |
| [●] | [●] | [●] | [●] |
| [●] | [●] | [●] | [●] |

– Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor** **Interest Period**

| | **From (and including)** | **To (but excluding)** |
|---|---|---|
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Digital Option Exercised Rate: [[●] per cent. per annum]
[As determined in accordance with the Digital Option Payment Determination Method]

| | |
|---|---|
| – Digital Option Payment Determination Method: | [Not Applicable]<br>[ISDA Determination]<br>[Screen Rate Determination]<br>[Collar – ISDA Rate]<br>[Collar – Screen Rate]<br>*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)* |
| – [Floating Rate Option: | [LIBOR][EURIBOR][CMS] |
| – Designated Maturity: | [●] |
| – Reset Date: | [first day of the relevant Interest Period][●]]<br>*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |
| – [Reference Rate: | [EURIBOR][LIBOR][CMS] |
| – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"](*if CMS*)<br>(*in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate*)]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Payment Determination Method, insert the below information)* |
| – [Cap Rate: | [●]/[Infinity] |
| – Floor Rate: | [●]/[Zero] |
| – Collar Margin: | [+/-] [●] per cent. per annum]] |
| – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| – Margin: | [+/-] [●] per cent. per annum |
| – Digital Option Fallback Rate: | [Zero]<br>[[●] per cent. per annum]<br>[ISDA Determination]<br>[Screen Rate Determination]<br>[Collar – ISDA Rate]<br>[Collar – Screen Rate]<br>*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)* |
| – [Floating Rate Option: | [LIBOR][EURIBOR][CMS] |
| – Designated Maturity: | [●] |
| – Reset Date: | [first day of the relevant Interest Period][●]]<br>*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |

| | | |
|---|---|---|
| | – [Reference Rate: | [EURIBOR][LIBOR][CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"](*if CMS*)<br>(*in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate*)]<br>*(If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Fallback Rate, insert the below information)* |
| | – [Cap Rate: | [●]/[Infinity] |
| | – Floor Rate: | [●]/[Zero] |
| | – Collar Margin: | [+/-] [●] per cent. per annum]] |
| | – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| | – Margin: | [+/-] [●] per cent. per annum |
| 20 | **Currency Linked Interest Notes** | [Applicable/Not Applicable]<br>(*If not applicable, delete remaining sub-paragraphs of this paragraph*) |
| (i) | Interest Commencement Date: | [●]/[Issue Date] |
| (ii) | Interest Period End Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (iii) | Business Day Convention for Interest Period End Dates: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (iv) | Interest Payment Dates: | [[●] in each year starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (v) | Business Day Convention for Interest Payment Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (vi) | Additional Business Centre(s): | [Not Applicable][*specify other financial centres required for the Business Day definition*] |
| (vii) | Interest Variable Option: | [Evolution of Currency]<br>[Asian Option – Currency]<br>[Digital Option]<br>*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)* |
| (viii) | Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360] |

[30/360] or [360/360] or [Bond Basis]

[30E/360] or [Eurobond Basis]

[30E/360 (ISDA)]

[1/1]

(ix) Interest Multiplier: [+/-][100]/[●] per cent.][As set out under Digital Option below]
*(This may be a negative value.)*

(x) Margin: [[+/-] [●] per cent. per annum][As set out under Digital Option below]

(xi) Minimum Rate of Interest: [●]

(xii) Maximum Rate of Interest: [●]
*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*

(xiii) Currency Rate: [●]

(xiv) Currency Page: [●]

(xv) Event Currency: [●]/[Reference Currency]

(xvi) Base Currency [●]/[Specified Currency]

(xvii) Reference Currency: [●]

(xviii) Valuation Time: [●]

(xix) Currency Disruption Events: [Not applicable]

[Benchmark Obligation Default]
[Benchmark Obligation description: [●]] (*if Benchmark Obligation Default applicable*)

[Dual Exchange Rate]

[General Inconvertibility]

[General Non-Transferability]

[Governmental Authority Default]

[Illiquidity]
[Minimum Amount: [●]];
[Illiquidity Valuation Date: [●]] (*if Illiquidity applicable*)

[Material Change in Circumstances]

[Nationalisation]

[Price Materiality]
[Secondary Rate: [●]]
[Price Materiality Percentage [●]](*if Price Materiality applicable*)

[Price Source Disruption]

[Specific Inconvertibility]
[Minimum Amount:[●]] (*if Specific Inconvertibility applicable*)

[Specific Non-Transferability]

(xx) Evolution of Currency: [Applicable]/[Not Applicable]
*(If not applicable, delete the remaining sub-paragraphs of this*

*paragraph*)

– $Currency_{initial}$ Valuation Date: [●]

– Valuation Dates:

| [**Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | | |

(xxi) Asian Option – Currency: [Applicable/Not Applicable]

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

– $Currency_{initial}$ Valuation Date(s): [●],[●], [●]

– Valuation Dates:

| [**Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●]] |

(*Insert the different Valuation Dates for the purpose of determining each $Currency_t$*)

– Scaling Factor: [[100]/[●] per cent.]

| [**Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(xxii) Digital Option: [Applicable/Not Applicable]

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

– Digital Option Type: Currency

– Digital Option Payment Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]
[Less Than Or Equal To]

– Valuation Dates:

| [**Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

– Digital Option Strike: [●]
*(Insert relevant exchange rate)*
[Currency Determination]

– Valuation Dates:

| **Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Digital Option Exercised Rate: [[●] per cent. per annum]
[As determined in accordance with the Digital Option Determination Method]

– Digital Option Payment Determination Method: [Not Applicable]
[ISDA Determination]
[Screen Rate Determination]
[Collar – ISDA Rate]
[Collar – Screen Rate]
*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)*

– [Floating Rate Option: [LIBOR][EURIBOR][CMS]

– Designated Maturity: [●]

– Reset Date: [first day of the relevant Interest Period][●]]
*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)*

– [Reference Rate: [LIBOR][EURIBOR][CMS]

– Interest Determination Date(s): [●]
*(Specify as necessary.)*

– Relevant Screen Page: [●]
[Reuters Page <ISDAFIX2>, under the heading "EURIBOR

| | | |
|---|---|---|
| | | Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Payment Determination Method, insert the below information)* |
| | – [Cap Rate: | [●]/[Infinity] |
| | – Floor Rate: | [●]/[Zero] |
| | – Collar Margin: | [+/-] [●] per cent. per annum] |
| | – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| | – Margin: | [+/-] [●] per cent. per annum |
| | – Digital Option Fallback Rate: | [Zero]<br>[●] per cent. per annum]<br>[ISDA Determination]<br>[Screen Rate Determination]<br>[Collar – ISDA Rate]<br>[Collar – Screen Rate]<br>*(If ISDA Determination /or Collar – ISDA Rate applies, insert relevant information for determination Digital Option Exercised Rate)* |
| | – [Floating Rate Option: | [LIBOR][EURIBOR][CMS] |
| | – Designated Maturity: | [●] |
| | – Reset Date: | [first day of the relevant Interest Period][●]]<br>*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |
| | – [Reference Rate: | [LIBOR][EURIBOR][CMS] |
| | – Interest Determination Date(s): | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| | – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Fallback Rate, insert the below information)* |
| | – [Cap Rate: | [●]/[Infinity] |
| | – Floor Rate: | [●]/[Zero] |
| | – Collar Margin: | [+/-] [●] per cent. per annum]] |
| | – Interest Multiplier: | [+/-][100]/[●] per cent.<br>*(This may be a negative value.)* |
| | – Margin: | [+/-] [●] per cent. per annum |
| 21 | **Fund Linked Interest Notes** | [Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*) |

| | |
|---|---|
| (i) Interest Commencement Date: | [●]/[Issue Date] |
| (ii) Interest Period End Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (iii) Business Day Convention for Interest Period End Dates: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (iv) Interest Payment Dates: | [[●] in each year starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| (v) Business Day Convention for Interest Payment Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (vi) Additional Business Centre(s): | [Not Applicable][*specify other financial centres required for the Business Day definition*] |
| (vii) Interest Variable Option: | [Evolution of Underlying Fund Interest]<br>[Evolution of Basket of Underlying Fund Interests]<br>[Asian Option – Underlying Fund Interest]<br>[Asian Option – Basket of Underlying Fund Interests]<br>[Digital Option]<br>*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)* |
| (viii) Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual (ICMA)]<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360] or [360/360] or [Bond Basis]<br>[30E/360] or [Eurobond Basis]<br>[30E/360 (ISDA)]<br>[1/1] |
| (ix) The identity of the relevant Fund(s): | [Basket of Fund Interests/Single Fund Interest]<br>*(Give or annex details of the relevant Fund Interests/Fund Interest and Fund, including in case of a basket of Fund Interests, an overview of the weighting of each Fund Interest in the basket)* |
| (x) Interest Multiplier: | [+/-][100]/[●] per cent. [As set out under Digital Option below]<br>*(This may be a negative value.)* |
| (xi) Margin: | [[+/-] [●] per cent. per annum][As set out under Digital Option below] |
| (xii) Minimum Rate of Interest: | [●] |
| (xiii) Maximum Rate of Interest: | [●]<br>*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to* |

*collar the Rate of Interest)*

(xiv) Fund Linked Interest Payment Extension Number: [●]

(xv) Fund Potential Adjustment Events: [Applicable/Not Applicable]

(xvi) Valuation Time: [●]

(xvii) Trade Date: [●]

(xviii) Evolution of Underlying Fund Interest: [Applicable/Not Applicable]

– Valuation Dates:

| **Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Fund$_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| **[●]** | **[●]** | **[●]** |
| **[●]** | **[●]** | **[●]** |
| **[●]** | **[●]** | **[●]]** |

(xix) Evolution of Basket of Underlying Fund Interests: (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Valuation Dates:

| **Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Fund Basket$_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

(xx) Asian Option – Underlying [Applicable/Not Applicable]

Fund Interest: (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Valuation Dates:

| **Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |

(*Insert the different Valuation Dates for the purpose of determining each Fund$_t$*)

– Fund$_{initial}$ Valuation Date(s): [●],[●],[●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxi) Asian Option – Basket of Underlying Fund Interests: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Valuation Dates:

| **Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |

(*Insert the different Valuation Dates for the purpose of determining each FundBasket$_t$*)

– Fund Basket$_{initial}$ Valuation Date(s): [●], [●], [●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]//Not Applicable]

(xxii) Digital Option: [Applicable/Not Applicable]

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

– Digital Option Type: [Underlying Fund Interest]
[Basket of Underlying Fund Interests]

– Digital Option Payment Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]
[Less Than Or Equal To]

– Valuation Dates:

| **[Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Digital Option Strike: [●] *(Insert relevant level)*
[Fund Determination]

– Valuation Dates:

| **Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Digital Option Exercised Rate: [[●] per cent. per annum]
[As determined in accordance with the Digital Option Payment Determination Method]

– Digital Option Payment Determination Method: [Not Applicable]
[ISDA Determination]
[Screen Rate Determination]
[Collar-ISDA Rate]
[Collar-Screen Rate]
*(If ISDA Determination or Collar - ISDA Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

– [Floating Rate Option: [Not Applicable/[●]]

– Designated Maturity: [Not Applicable/[●]]

– Reset Date: [Not Applicable / The first day of each Interest Period/[●]]]

*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

- [Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Dates: [●][Standard IDD][Arrears IDD]
  *(Specify as necessary)*
- Relevant Screen Page: [●]
  [Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
  *(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]
  (*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Payment Determination Method, insert the below information)*
- [Cap Rate: [●]/[Infinity]
- Floor Rate: [●][Zero]
- Collar Margin: [+/-] [●] per cent. per annum]

– Interest Multiplier: [+/-][100]/[●] per cent. per annum
*(This may be a negative value)*

– Margin: [+/-][●] per cent. per annum

– Digital Option Fallback Rate: [Zero]
[[●] per cent. per annum]
[ISDA Determination]
[Screen Rate Determination]
[Collar-ISDA Rate]
[Collar-Screen Rate]
*(If ISDA Determination or Collar – ISDA Rate applies, insert relevant information for determining Digital Option Fallback Rate)*

- [Floating Rate Option: [Not Applicable/[●]]
- Designated Maturity: [Not Applicable/[●]]
- Reset Date: [Not Applicable/The first day of each Interest Period/[●]]]
  *(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Exercised Rate)*
- [Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Dates: [●][Standard IDD][Arrears IDD]
  *(Specify as necessary)*
- Relevant Screen Page: [●]
  [Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)
  *(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]
  (*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Fallback Rate, insert the below information)*

| | | |
|---|---|---|
| | – [Cap Rate: | [●]/[Infinity] |
| | – Floor Rate: | [●][Zero] |
| | – Collar Margin: | [+/-] [●] per cent. per annum] |
| | – Interest Multiplier: | [+/-][100]/[●] per cent. per annum<br>*(This may be a negative value)* |
| | – Margin: | [+/-][●] per cent. per annum |
| 22 | **Commodity Linked Interest Notes** | [Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Interest Commencement Date: | [●]/[Issue Date] |
| | (ii) Interest Period End Dates: | [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| | (iii) Business Day Convention for Interest Period End Dates: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| | (iv) Interest Payment Dates: | [[●] in each year starting on [●], up to and including [the Maturity Date][●]]/[Interest Payment Dates will correspond to Interest Period End Dates] |
| | (v) Business Day Convention for Interest Payment Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| | (vi) Additional Business Centre(s): | [Not Applicable][*specify other financial centres required for the Business Day definition*] |
| | (vii) Day Count Fraction: | (*Specify one of the options listed below*)<br>[Actual/Actual (ICMA)]<br>[Actual/Actual] or [Actual/Actual (ISDA)]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360] or [360/360] or [Bond Basis]<br>[30E/360] or [Eurobond Basis]<br>[30E/360 (ISDA)]<br>[1/1] |
| | (viii) Interest Multiplier: | [+/-][100]/[●] per cent.][As set out under Digital Option below]<br>*(This may be a negative number)* |
| | (ix) Margin: | [[+/-] [●] per cent. per annum][As set out under Digital Option below] |
| | (x) Minimum Rate of Interest: | [●] |
| | (xi) Maximum Rate of Interest: | [●]<br>*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)* |
| | (xii) The identity of the relevant Commodity/Commodities/Commodity Index/Commodity | [*Give or annex details of the relevant Commodity/Commodity Index, as applicable*]:<br>***[The following apply only to Notes which have a single*** |

| | | |
|---|---|---|
| Indices: | ***commodity/commodity Index]:*** | |
| | Commodity: | [*name and short description of commodity*] [Not Applicable] |
| | Bullion Commodity: | [Applicable][Not Applicable] |
| | Commodity Index: | [*name and short description of index and components*] [Not Applicable] |
| | Commodity Reference Price: | [●][Commodity-Reference Dealers] |
| | Unit: | [●][Not Applicable] |
| | Delivery Date: | [●][Nearby Month][Not Applicable] |
| | Exchange: | [●][Not Applicable] |
| | Price Source: | [●] |
| | Specified Price: | [●][the high price][the low price][average of the high price and the low price][the closing price][the opening price][the bid price][the asked price][the average of the bid price and the asked price][the settlement price][the official settlement price][the official price][the morning fixing][the afternoon fixing][the spot price] |
| | Index Sponsor: | [●][Not Applicable] |
| | Fallback Reference Price: | [●] |
| | ***[The following apply only to Notes with a commodities basket component]:*** | |
| | A basket composed of Commodities/Commodity Indices as specified below: | |
| | Commodity: | [*name and short description of commodity*] [Not Applicable] |
| | Bullion Commodity: | [Applicable][Not Applicable] |
| | Commodity Index: | [*name and short description of index and components*] [Not Applicable] |
| | Commodity Reference Price: | [●][Commodity-Reference Dealers] |
| | Unit: | [●][Not Applicable] |
| | Delivery Date: | [●][Nearby Month][Not Applicable] |
| | Exchange: | [●][Not Applicable] |
| | Price Source: | [●] |
| | Specified Price: | [●][the high price][the low price][average of the high price and the low price][the |

| | | |
|---|---|---|
| | | closing price][the opening price][the bid price][the asked price][the average of the bid price and the asked price][the settlement price][the official settlement price][the official price][the morning fixing][the afternoon fixing][the spot price] |
| | Index Sponsor: | [●][Not Applicable] |
| | Fallback Reference Price: | [●] |
| | [*Replicate the details in respect of each Commodity/Commodity Index in the basket*] | |
| (xiii) Commodity Business Day Convention: | [Following/Modified Following/Nearest/Preceding] | |
| (xiv) Common Pricing: | [Applicable/Not Applicable] | |
| (xv) Commodity Business Day: | [*Specify*/The definition in Condition 10 applies] | |
| (xvi) Market Disruption Event(s): | [Other Market Disruption Events][The following Market Disruption Events apply to the Notes:<br>[Price Source Disruption]<br>[Trading Disruption: *specify any additional futures/options contract commodity*]<br>[Disappearance of Commodity Reference Price]<br>[Material Change in Formula]<br>[Material Change in Content]<br>[Tax Disruption]] | |
| (xvii) Disruption Fallback(s): | [Other Disruption Fallbacks] [The following Disruption Fallbacks apply to the Notes (in the following order):<br>[Fallback Reference Dealers]<br>[Fallback Reference Price]<br>[Cancellation]<br>[Postponement]<br>[Calculation Agent Determination]<br>[Delayed Publication and Announcement]] | |
| (xviii) Maximum Days of Disruption: | [●][five] | |
| (xix) Correction of Commodity Prices: | Correction of Commodity Prices [applies/does not apply and the Relevant Price shall be calculated without regard to any subsequently published correction]. | |
| (xx) Correction Cut-Off Date: | [[●] Business Days prior to the Maturity Date/Not Applicable.] | |
| (xxi) Trade Date: | [●] | |
| (xxii) Interest Variable Option: | [Evolution of Underlying Commodity]<br>[Evolution of Basket of Underlying Commodities]<br>[Evolution of Commodity Index]<br>[Evolution of Basket of Commodity Indices] | |

[Asian Option – Underlying Commodity]
[Asian Option – Basket of Underlying Commodities]
[Asian Option –Commodity Index]
[Asian Option – Basket of Commodity Indices]
[Digital Option]
*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)*

(xxiii) Evolution of Underlying Commodity: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Valuation Date:

| **[Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Commodity$_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]]** |

(xxiv) Evolution of Basket of Underlying Commodities: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Valuation Date:

| **[Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Commodity Basket$_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]** |

| | | |
|---|---|---|
| [●] per cent. | **[●]** | **[●]]** |

(xxv) Evolution of Commodity Index: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Valuation Date:

| **[Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Commodity Index$_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]]** |

(xxvi) Evolution of Basket of Commodity Indices: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Valuation Date:

| **[Valuation Date$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Commodity Indices Basket$_{initial}$ Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]]** |

(xxvii) Asian Option – Underlying Commodity: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Commodity$_{initial}$ Valuation Date(s): **[●]**, [●], [●]

– Valuation Date(s):

| **[Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●]. [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●]] |

(*Insert the different Valuation Dates for the purpose of determining each Commodity$_t$*)

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]]** |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxviii) Asian Option – Basket of Underlying Commodities: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Commodity Basket$_{initial}$ Valuation Date(s): [●], [●], [●]

– Valuation Date(s):

| **[Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●]. [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●] |
| [●], [●], [●] | [●] | [●]] |

(*Insert the different Valuation Dates for the purpose of determining each Commodity Basket$_t$*)

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]** |
| [●] per cent. | **[●]** | **[●]]** |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxix) Asian Option – Commodity Index: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

– Commodity Index$_{initial}$ Valuation Date(s): **[●]**, [●], [●]

– Valuation Dates:

| | **[Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| | [●], [●], [●] | [●] | [●] |
| | [●], [●], [●] | [●] | [●] |
| | [●], [●], [●] | [●] | [●]] |

– Scaling Factor: [[100]/[●] per cent.]

| | **[Scaling Factor** | **Interest Period** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| | [●] per cent. | **[●]** | **[●]** |
| | [●] per cent. | **[●]** | **[●]** |
| | [●] per cent. | **[●]** | **[●]]** |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxx) Asian Option – Basket of Commodity Indices: [Applicable/Not Applicable]

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

– Commodity Indices Basket$_{initial}$ Valuation Date(s): [●], [●], [●]

– Valuation Date(s):

| | **[Valuation Dates$_t$** | **Interest Period** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| | [●]. [●], [●] | [●] | [●] |
| | [●], [●], [●] | [●] | [●] |
| | [●], [●], [●] | [●] | [●]] |

(*Insert the different Valuation Dates for the purpose of determining each CommodityIndices Basket$_t$*)

– Scaling Factor: [[100]/[●] per cent.]

| | **[Scaling Factor** | **Interest Period** | |
|---|---|---|---|
| | | **From (and including)** | **To (but excluding)** |
| | [●] per cent. | **[●]** | **[●]** |
| | [●] per cent. | **[●]** | **[●]** |
| | [●] per cent. | **[●]** | **[●]]** |

– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

(xxxi) Digital Option: [Applicable/Not Applicable]

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

– Digital Option Type: [Underlying Commodity]
[Basket of Underlying Commodities]
[Commodity Index]
[Basket of Commodity Indices]

– Digital Option Payment Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]
[Less Than Or Equal To]

– Valuation Dates:

| **[Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Digital Option Strike: [●] *(Insert relevant level)*
[Commodity Determination]

– Valuation Dates:

| **Valuation Date** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●] |

– Scaling Factor: [[100]/[●] per cent.]

| **[Scaling Factor** | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

– Digital Option Exercised Rate: [[●] per cent. per annum]
[As determined in accordance with the Digital Option Payment Determination Method]

– Digital Option Payment Determination Method: [Not Applicable]
[ISDA Determination]
[Screen Rate Determination]
[Collar-ISDA Rate]
[Collar-Screen Rate]
*(If ISDA Determination or Collar - ISDA Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

– [Floating Rate Option: [Not Applicable/[●]]

– Designated Maturity: [Not Applicable/[●]]

– Reset Date: [Not Applicable/The first day of each Interest Period/[●]]]
*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

– [Reference Rate: [LIBOR][EURIBOR][CMS]

| | |
|---|---|
| – Interest Determination Dates: | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Payment Determination Method, insert the below information)* |
| – [Cap Rate: | [●]/[Infinity] |
| – Floor Rate: | [●][Zero] |
| – Collar Margin: | [+/-] [●] per cent. per annum] |
| – Interest Multiplier: | [+/-][100]/[●] per cent. per annum<br>*(This may be a negative value)* |
| – Margin: | [+/-][●] per cent. per annum |
| – Digital Option Fallback Rate: | [Zero]<br>[[●] per cent. per annum]<br>[ISDA Determination]<br>[Screen Rate Determination]<br>[Collar-ISDA Rate]<br>[Collar-Screen Rate]<br>*(If ISDA Determination or Collar - ISDA Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |
| – [Floating Rate Option: | [Not Applicable/[●]] |
| – Designated Maturity: | [Not Applicable/[●]] |
| – Reset Date: | [Not Applicable/The first day of each Interest Period/[●]]]<br>*(If Screen Rate Determination or Collar – Screen Rate applies, insert relevant information for determining Digital Option Fallback Rate)* |
| – [Reference Rate: | [LIBOR][EURIBOR][CMS] |
| – Interest Determination Dates: | [●][Standard IDD][Arrears IDD]<br>*(Specify as necessary)* |
| – Relevant Screen Page: | [●]<br>[Reuters Page <ISDAFIX2>, under the heading "EURIBOR Basis-EUR"] (*if CMS*)<br>*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*]<br>(*If Collar – ISDA Rate or Collar – Screen Rate applies as Digital Option Fallback Rate, insert the below information)* |
| – [Cap Rate: | [●]/[Infinity] |
| – Floor Rate: | [●][Zero] |
| – Collar Margin: | [+/-] [●] per cent. per annum] |
| – Interest Multiplier: | [+/-][100]/[●] per cent. per annum |

*(This may be a negative value)*

– Margin: [+/-][●] per cent. per annum

23 **Additional Disruption Events** [Applicable/Not Applicable]

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

[[Change in Law]

[Hedging Disruption]

[Increased Cost of Hedging]

[Insolvency Filing]

(*NB: Insolvency Filing only applicable in the case of Equity Linked Notes*)

[Loss of Stock Borrow] (*NB: applicable only for Equity Linked Notes and Index Linked Notes*)

[The Maximum Stock Loan Rate in respect of [*specify in relation to each Underlying Equity/security*] is [●]].

(*NB: Only applicable if Loss of Stock Borrow is applicable*)

[Increased Cost of Stock Borrow] (*NB: applicable only for Equity Linked Notes and Index Linked Notes*)

[The Initial Stock Loan rate in respect of [*specify in relation to each Underlying Equity/security*] is [●]]. *(NB: Only applicable if Increased Cost of Stock Borrow is applicable*)]

[Cross-contamination]

(*NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity*)

[ETF Insolvency Event]

(*NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity*)

[ETF Insolvency Entity: [*specify*][Not Applicable]

*(NB: Only applicable if ETF Insolvency Event is applicable*)]

[ETF Modification]

(*NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity*)

[ETF Regulatory Action]

(*NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity*)

[ETF Strategy Breach]

(*NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity*)

(i) Trade Date: [●]

24 **Alternative Currency Provisions** [Applicable/Not Applicable]

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

(i) Alternative Currency: [USD][*Specify other currency*]

(ii) Maximum Alternative Currency [●]

| | |
|---|---|
| Number: | |
| (iii) AC Rate Calculation Date: | [●] AC Rate Calculation Business Days before the due date for payment of the relevant amount under the Notes |
| (iv) AC Rate Calculation Jurisdiction(s): | [●] |
| (v) AC USD Rate Calculation Date: | [●] AC USD Rate Calculation Business Days before the due date for payment of the relevant amount under the Securities |
| (vi) AC USD Rate Calculation Jurisdiction(s): | [●] |
| (vii) Trade Date: | [●] |

**PROVISIONS RELATING TO REDEMPTION**

| | |
|---|---|
| 25 **Issuer Call** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) Optional Redemption Date(s) | [●] |
| (ii) Business Day convention for Optional Redemption Dates | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| (iii) Additional Business Centre(s): | [Not Applicable][*specify other financial centres required for the Business Day definition*] |
| (iv) Optional Redemption Amount: | [●] per Calculation Amount |
| (v) Issuer Call Period (if other than as set out in Condition 5(c)): | [●]]<br>[not] [less than [●]] [nor more than [●]]<br>(*N.B. If setting issuer call periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*) |
| 26 **Investor Put** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) Optional Redemption Date(s): | [●] |
| (ii) Business Day Convention for Optional Redemption Dates: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ Not Applicable] |
| (iii) Additional Business Centre(s): | [*specify other financial centres required for the Business Day definition*][Not Applicable] |
| (iv) Optional Redemption Amount and method, if any, of calculation of such amount: | [●] per Calculation Amount |
| (v) Investor Put Period (if other than as set out in the Conditions): | [●]<br>[not less than [●][nor more than [●] ]<br>*(N. B. If setting investor put periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as* |

*well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

27 **Autocall Early Redemption** [Applicable/Not Applicable]

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

(i) Autocall Type: [Index]

[Basket of Indices]

[Underlying Equity]

[Basket of Underlying Equities]

[Currency]

[– Whether the Notes relate to a basket of indices or a single index, and the identity of the relevant index/indices and details of the relevant Sponsors:

Index: *[name and short description of type of index]*

Index Sponsor: *[specify]*

Multiplier (per cent.): *[specify]*

Exchange: *[specify]*

Related Exchange: [All Exchanges]*[specify]*

Designated Multi-Exchange Index: [Applicable][Not Applicable]

Valuation Time: *[specify]*

[The Index is a Designated Multi-Exchange Index]

*(N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed)*

***[The following apply only to Notes with an index basket component]:***

A basket composed of Indices as specified below:

Index Sponsor: [*specify*]

Multiplier (per cent.): [*specify*]

Exchange: [*specify*]

Related Exchange: [All Exchanges][*specify*]

Designated Multi-Exchange Index: [Applicable][Not Applicable]

Valuation Time: [*specify*]

[The Index is a Designated Multi-Exchange Index]

(*N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed*)

[*Replicate the details in respect of each Index in the Basket*]

[– Index Linked Interest Payment Extension Number: [●]]

[– Valuation Time: [Condition 6(*d*) applies/*other*]]

[– Correction of Index Levels: Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].]

[– Correction Cut-Off Date: [[●] Business Days prior to each Interest Payment Date/Not

Applicable.]]

[– The identity of the relevant Equity Issuer(s) of the equity security/equity securities in the basket:

*[Give or annex details of the relevant Underlying Equities/Underlying Equity, as applicable]:*

***[The following apply only to Notes which have a single equity component]:***

| | |
|---|---|
| Underlying Equity: | *[name and short description of type of shares (which, if "ETF Share" is specified below as applicable, will be ETF Shares)]* issued by the Equity Issuer (ISIN: [●]) |
| ETF Share: | [Applicable/Not applicable] |
| Underlying Equity Currency: | *[specify]* |
| Equity Issuer: | *[specify](in the case of ETF Shares, specify the relevant ETF Issuer)* |
| Exchange: | *[specify]* |
| Related Exchange: | [All Exchanges]*[specify]* |

[*(The following additional provisions apply only where the relevant equity component is an ETF Share):*

| | |
|---|---|
| ETF Advisor: | *[specify]* |
| ETF Administrator: | *[specify]* |
| Reference Index: | *[specify]*] |

***[The following apply only to Notes with an equity basket component]:***

A basket composed of Underlying Equities in the relative proportions of Underlying Equities of each Equity Issuer specified below:

| | |
|---|---|
| Underlying Equity: | *[name and short description of type of shares (which, if "ETF Share" is specified below as applicable, will be ETF Shares)]* issued by the Equity Issuer (ISIN: [●]) |
| ETF Share: | [Applicable/Not applicable] |
| Underlying Equity Currency: | *[specify]* |
| Equity Issuer: | *[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)* |
| Multiplier (per cent.): | *[specify]* |
| Exchange: | *[specify]* |
| Related Exchange: | [All Exchanges]*[specify]* |

[*(The following additional provisions apply only where the relevant equity component is an ETF Share):*

| | |
|---|---|
| ETF Advisor: | *[specify]* |

ETF Administrator: *[specify]*

Reference Index: *[specify]*]

*[Replicate the details in respect of each Equity in the Basket]*]

[– Equity Linked Interest Payment Extension Number: [●]]

[– Potential Adjustment Events: [Applicable/Not Applicable]]

[– De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]]

[– Tender Offer: [Applicable/Not Applicable]]

[– Valuation Time: [Condition 7(*d*) applies/specify alternative time]]

[– Exchange Rate: [Applicable/Not Applicable]

[*Insert details*]]

[– Correction of Share Prices: Correction of Share Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].]

[– Correction Cut-Off Date: [●] Business Days prior to each Interest Payment Date/Not Applicable.]]

[– Trade Date: [●]]

[– Currency Rate: [●]]

[– Currency Page: [●]]

[– Event Currency: [●]/[Reference Currency]]

[– Base Currency [●]/[Specified Currency]]

[– Reference Currency: [●]]

[– Valuation Time: [●]]

[– Currency Disruption Events: [Not applicable]

[Benchmark Obligation Default]

[Benchmark Obligation description: [●]] (*if Benchmark Obligation Default applicable*)

[Dual Exchange Rate]

[General Inconvertibility]

[General Non-Transferability]

[Governmental Authority Default]

[Illiquidity]

[Minimum Amount: [●]];

[Illiquidity Valuation Date: [●]] (*if Illiquidity applicable*)

[Material Change in Circumstances]

[Nationalisation]

[Price Materiality]

[Secondary Rate: [●]]

[Price Materiality Percentage [●]](*if Price Materiality applicable*)

[Price Source Disruption]

[Specific Inconvertibility]

[Minimum Amount: [●]] (*if Specific Inconvertibility applicable*)

[Specific Non-Transferability]]

(ii) Autocall Condition: [Greater Than]
[Less Than]
[Greater Than Or Equal To]
[Less Than Or Equal To]

(iii) Autocall Observation Dates: [●]

(iv) Business Day Convention for Autocall Observation Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

(v) Autocall Variable:

– Autocall Variable Averaging: [Applicable/Not Applicable]

– Valuation Date(s):

| Autocall Observation Dates | Valuation Date (where Autocall Variable Averaging is Not Applicable) | Valuation Dates$_t$ (where Autocall Variable Averaging is Applicable) |
|---|---|---|
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |

*(Insert the different Valuation Dates for the purpose of determining each Autocall Variable)*

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

(vi) Autocall Strike:

– Autocall Strike Amount: [Applicable/Not Applicable]

*(If not applicable, delete table and populate Autocall Strike Determination or Autocall Strike Averaging)*

| Autocall Observation Dates | Autocall Strike |
|---|---|
| [●] | [●] |
| [●] | [●] |
| [●] | [●] |

– Autocall Strike Determination: [Applicable/Not Applicable]

– Autocall Strike Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Autocall Observation Dates | Valuation Date (where Autocall Strike Determination is | Valuation Dates$_t$ (where Autocall Strike Averaging is Applicable) |
|---|---|---|

| | | |
|---|---|---|
| | Applicable) | |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |

*(Insert the different Valuation Dates for the purpose of determining each Autocall Variable, unless Autocall Strike Amount applies in which case delete the above table)*]

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

(vii) Average Autocall Reference Price:

– Autocall Variable Averaging [Applicable][Not Applicable]

– Autocall Strike Averaging [Applicable][Not Applicable]

– Autocall Reference $Item_{initial}$ Averaging [Applicable][Not Applicable]

– Autocall Reference $Item_{final}$ Averaging [Applicable][Not Applicable]

(viii) Scaling Factor: [[100]/[●] per cent.]

[**Scaling Factor**

| | **Interest Period** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●] |
| [●] per cent. | [●] | [●]] |

(ix) Autocall Redemption Amount: [[●]

[**Autocall Redemption Amount**

| | **Autocall Notes redeeming** | |
|---|---|---|
| | **From (and including)** | **To (but excluding)** |
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| [●] | [●] | [●]] |

(*If one or more specific amounts are specified, delete the remainder of this paragraph. If a specific amount is not specified, populate the provisions below)*

– Reference $Item_{initial}$: [[●]

(*Insert relevant level or amount, depending on Autocall Type, unless Reference $Item_{initial}$ Determination or Autocall Reference $Item_{final}$ Averaging applies*)]

[Reference $Item_{initial}$ Determination: [Applicable/Not Applicable]]

[Autocall Reference $Item_{initial}$ Averaging: [Applicable/Not Applicable]

– Valuation Date(s):

| Autocall Observation Dates | Valuation Date (where Reference $Item_{initial}$ Determination is Applicable) | Valuation $Dates_t$ (where Autocall Reference $Item_{initial}$ Averaging is Applicable) |
|---|---|---|
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●]] |

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

– Reference $Item_{final}$: [[●]

*(Insert relevant level or amount, depending on Autocall Type, unless Reference $Item_{final}$ Determination or Autocall Reference $Item_{final}$ Averaging applies)*]

[Reference $Item_{final}$ Determination: [Applicable/Not Applicable]]

[Autocall Reference $Item_{final}$ Averaging: [Applicable/Not Applicable]]

– Valuation Date(s):

| Autocall Observation Dates | Valuation Date (where Reference $Item_{final}$ Determination is Applicable) | Valuation $Dates_t$ (where Autocall Reference $Item_{final}$ Averaging is Applicable) |
|---|---|---|
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |
| [●] | [N/A]<br>[●] | [N/A]<br>[●],[●],[●]] |

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

– Cap %: [●]/[Infinity]

– Floor %: [●]/[Zero]

– Scaling Factor: [[100]/[●] per cent.]

| Autocall Observation Dates | Scaling Factor |
|---|---|
| [●] | [●] per cent. |
| [●] | [●] per cent. |
| [●] | [●] per cent. |
| [●] | [●] per cent. |

– Autocall Multiplier: [●] [100] per cent.

28 **Final Redemption Amount:** [Redemption will be at par][●]

[In accordance with Conditions] (*applicable for Index Linked Redemption Notes, Equity Linked Redemption Notes, Inflation Linked Redemption Notes, Currency Linked Redemption Notes, Commodity Linked Redemption Notes and Credit Linked Notes only*)

29 **Early Redemption Amount**:

| | |
|---|---|
| Early Redemption Amount payable on redemption for taxation reasons or on an illegality (or, in the case of Floating Rate Notes, following a cessation of the Reference Rate or, in the case of Index Linked Notes, following an Index Adjustment Event in accordance with Condition 6*(a)*(ii)(b) or, in the case of Equity Linked Notes, following a De-listing and/or Merger Event and/or Nationalisation and/or Insolvency and/or Tender Offer in accordance with Condition 7*(b)*(ii)(b) or, in the case of Inflation Linked Notes, following an Inflation Index Cancellation pursuant to a Cessation of Publication in accordance with Condition 8(*b*)(ii) or, in the case of Currency Linked Notes, following a Currency Disruption Event, in accordance with Condition 9*(b)*(i)(D)) or, in the case of Commodity Linked Notes, following a Market Disruption Event, in accordance with Condition 10*(c)*(iii) or following a modification and cessation of calculation of a commodity index in accordance with Condition 10*(e)*(ii)(b) or, in the case of Credit Linked Notes, following a Merger Event in accordance with Condition 12(*i*) or following an Additional Disruption Event (if applicable) or, following a Scheduled Payment Currency Disruption Event: | Condition 5*(f)* applies<br>– Fixed Early Redemption Amount: [●][Not Applicable]<br>– Fixed Early Redemption Percentage: [●]%[Not Applicable]<br>– Including Interest: [Applicable][Not Applicable] |
| 30 **Index Linked Redemption Notes** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) Whether the Notes relate to a basket of indices or a single index, and the identity of the relevant index/indices and details of the relevant Sponsors: | Index: *[name and short description of type of index.]*<br>Index Sponsor: *[specify]*<br>Multiplier (per cent.): *[specify]*<br>Exchange: *[specify]*<br>Related Exchange: [All Exchanges]*[specify]*<br>Designated Multi-Exchange Index: [Applicable][Not Applicable]<br>Valuation Time: *[specify]*<br>[The Index is a Designated Multi-Exchange Index]<br>(*N.B. Designated Multi-Exchange Index only applies in relation* |

*to the Euro Stoxx Index unless otherwise specifically agreed*)

***[The following apply only to Notes with an index basket component]:***

A basket composed of Indices as specified below:

| | |
|---|---|
| Index: | [*name and short description of type of index*.] |
| Index Sponsor: | [*specify*] |
| Multiplier (per cent.): | [*specify*] |
| Exchange: | [*specify*] |
| Related Exchange: | [All Exchanges][*specify*] |
| Designated Multi-Exchange Index: | [Applicable][Not Applicable] |
| Valuation Time: | [*specify*] |

[The Index is a Designated Multi-Exchange Index]

(*N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed*)

[*Replicate the details in respect of each Index in the Basket*]

(ii) Index Linked Redemption Amount: (*Populate the provisions below*)

[– Index Redemption Multiplier: [+/-][100]/[●] per cent.
*(This may be a negative value.)*

[– Reference $Item_{initial}$: [[●]
*(Insert relevant amount, unless Reference $Item_{initial}$ Determination or Reference $Item_{final}$ Averaging applies)*]

[Reference $Item_{initial}$ Determination: [Applicable/Not Applicable]

[Reference $Item_{initial}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference $Item_{initial}$ Determination Applicable) | Valuation $Dates_t$ (where Reference $Item_{initial}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●], [●], [●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference $Item_{initial}$, unless relevant amount specified in which case delete the above table*)]

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

[– Reference $Item_{final}$: [[●]
*(Insert relevant amount, unless Reference $Item_{final}$ Determination or Reference $Item_{final}$ Averaging applies)*]

[Reference $Item_{final}$ Determination: [Applicable/Not Applicable]

[Reference $Item_{final}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference $Item_{final}$ Determination Applicable) | Valuation $Dates_t$ (where Reference $Item_{final}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●], [●], [●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference Item$_{final}$, unless relevant amount specified in which case delete the above table*)]

| | |
|---|---|
| [– Averaging Disruption Provisions: | [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]] |
| [– Scaling Factor: | [100]/[●] per cent.] |
| [– Cap %: | [●]/[Infinity]] |
| [– Floor %: | [●]/[Zero]] |
| (iii) Exchange(s): | [●] |
| (iv) Related Exchange(s): | [All Exchanges] |
| (v) Valuation Time: | [Condition 6*(d)* applies/*specify alternative time*] |
| (vi) Correction of Index Levels: | Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. |
| (vii) Correction Cut-Off Date: | [●] Business Days prior to the Maturity Date/Not Applicable |
| 31 **Equity Linked Redemption Notes** | [Applicable/Not Applicable] |
| (i) Whether the Notes relate to a basket of equity securities or a single equity security, and the identity of the relevant Equity Issuer(s): | [Basket of Underlying Equities/Single Underlying Equity]<br>[(*Give or annex details of the relevant Underlying Equities/ Underlying Equity, as applicable*):<br>***[The following apply only to Notes which have a single equity component]:*** |

| | |
|---|---|
| Underlying Equity: | [*name and short description of type of shares (which, if "ETF Share" is specified below as applicable, will be ETF Shares)*] issued by the Equity Issuer (ISIN: [●]) |
| ETF Share: | [Applicable/Not applicable] |
| Underlying Equity Currency: | *[specify]* |
| Equity Issuer: | *[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)* |
| Exchange: | *[specify]* |
| Related Exchange: | [All Exchanges][*specify*] |

[*(The following additional provisions apply only where the relevant equity component is an ETF Share):*

| | |
|---|---|
| ETF Advisor: | ETF Advisor: |
| ETF Administrator: | ETF Administrator: |
| Reference Index: | Reference Index: |

***[The following apply only to Notes with an equity basket component]:***

A basket composed of Underlying Equities in the relative proportions of Underlying Equities of each Equity Issuer specified below:

| | |
|---|---|
| Underlying Equity | [*name and short description of type of shares (which, if "ETF* |

*Share" is specified below as applicable, will be ETF Shares)*] issued by the Equity Issuer (ISIN: [●])

| | |
|---|---|
| Underlying Equity Currency | *[specify]* |
| Equity Issuer | *[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)* |
| Multiplier (per cent.) | *[specify]* |
| Exchange | *[specify]* |

[*(The following additional provisions apply only where the relevant equity component is an ETF Share):*

| | |
|---|---|
| ETF Advisor: | *[specify]* |
| ETF Administrator: | *[specify]* |
| Reference Index: | *[specify]*] |

[*Replicate the details in respect of each Equity in the Basket*]

(ii) Equity Linked Redemption Amount: [[●]]
(*Populate the provisions below*)

[– Equity Redemption Multiplier: [+/-][100]/[●] per cent.
*(This may be a negative value.)*

[– Reference $Item_{initial}$: [[●]
*(Insert relevant amount, unless Reference $Item_{initial}$ Determination or Reference $Item_{initial}$ Averaging applies)*]

[Reference $Item_{initial}$ Determination: [Applicable/Not Applicable]

[Reference $Item_{initial}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference $Item_{initial}$ Determination Applicable) | Valuation $Dates_t$ (where Reference $Item_{initial}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●], [●], [●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference $Item_{initial}$, unless relevant amount specified in which case delete the above table*)]

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

[– Reference $Item_{final}$: [[●]
*(Insert relevant amount, unless Reference $Item_{final}$ Determination or Reference $Item_{final}$ Averaging applies)*]

[Reference $Item_{final}$ Determination: [Applicable/Not Applicable]

[Reference $Item_{final}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference $Item_{final}$ Determination Applicable) | Valuation $Dates_t$ (where Reference $Item_{final}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●], [●], [●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference Item$_{final}$, unless relevant amount specified in which case delete the above table*)]

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

[– Scaling Factor: [100]/[●] per cent.]]

[– Cap %: [●]/[Infinity]]

[– Floor %: [●]/[Zero]]

(iii) Related Exchange(s): [All Exchanges]

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

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

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

(vii) Valuation Time [Condition 7*(d)* applies/*specify alternative time*]

(viii) Exchange Rate [Applicable/Not Applicable] [Insert details]

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

(x) Correction Cut-Off Date: [[●] Business Days prior to the Maturity Date]/[Not Applicable.]

(xi) Trade Date: [●]

32 **Inflation Linked Redemption Notes** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i) The identity of the relevant Inflation Index/Indices and details of the relevant sponsors: [●]
Sponsor: [●]
[The Inflation Index is a Designed Multi-Exchange Index]
(*Give or annex details*)

(ii) Inflation Linked Redemption Type: [[●]]
(*Populate the provisions below*)

(iii) Redemption Amount: [●] (*In case Fixed Redemption Amount is specified as the Index Linked Redemption Type, specify the relevant amount*)
(*In case Reference Item Redemption is specified as the Inflation Linked Redemption Type, populate the provisions below*)

[– Inflation Redemption Multiplier: [+/-][100]/[●] per cent.
*(This may be a negative value.)*

[– Reference Item$_{initial}$: [[●]
*(Insert relevant amount, unless Reference Item$_{initial}$ Determination or Reference Item$_{final}$ Averaging applies)*]
[Reference Item$_{initial}$ Determination: [Applicable/Not Applicable]
[Reference Item$_{initial}$ Averaging: [Applicable/Not Applicable]

[– Reference Month(s):

| | |
|---|---|
| Reference Month (where Reference Item$_{initial}$ Determination Applicable) | Reference Month$_t$ (where Reference Item$_{Initial}$ Averaging Applicable) |

| | |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |

(*Insert the different Reference Months for the purpose of determining each Reference Item$_{initial}$, unless relevant amount specified in which case delete the above table*)]

[– Reference Item$_{final}$: [[●]

*(Insert relevant amount, unless Reference Item$_{final}$ Determination or Reference Item$_{final}$ Averaging applies)*]

[Reference Item$_{final}$ Determination: [Applicable/Not Applicable]

[Reference Item$_{final}$ Averaging: [Applicable/Not Applicable]

[– Reference Month(s):

| Reference Month (where Reference Item$_{final}$ Determination Applicable) | Reference Month$_t$ (where Reference Item$_{final}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |

(*Insert the different Reference Months for the purpose of determining each Reference Item$_{final}$, unless relevant amount specified in which case delete the above table*)]

[– Scaling Factor: [100/[●] per cent.]

(*in case Put Performance or Call Performance is specified as the Index Linked Redemption Type, populate the below provisions*)

[– Relevant Determination Date: [*Specify*/Five Business Days prior to [each/the] Relevant Payment Date]

(iv) Specified Currency [●]]

(v) Valuation Time [Condition 6(*d*) applies/*other*]

(vi) Exchange(s): [●]

(vii) Related Exchange(s): [All Exchanges]

(viii) Correction of Index Levels: Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].

(ix) Correction Cut-Off Date: [[●] Business Days prior to the Maturity Date/Not Applicable]

33 **Currency Linked Redemption Notes** [Applicable][Not Applicable]

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

(i) Currency Linked Redemption Amount: [[●]]

(*Populate the provisions below*)

[– Currency Redemption Multiplier: [+/-][100]/[●] per cent.

*(This may be a negative value.)*

[– Reference Item$_{initial}$: [[●]

*(Insert relevant amount, unless Reference Item$_{initial}$ Determination or Reference Item$_{final}$ Averaging applies)*]

[Reference Item$_{initial}$ Determination: [Applicable/Not Applicable]

[Reference Item$_{initial}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference $Item_{initial}$ Determination Applicable) | Valuation $Dates_t$ (where Reference $Item_{initial}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●], [●], [●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference $Item_{initial}$, unless relevant amount specified in which case delete the above table*)]

[– Reference $Item_{final}$: [[●]

*(Insert relevant amount, unless Reference $Item_{final}$ Determination or Reference $Item_{final}$ Averaging applies)*]

[Reference $Item_{final}$ Determination: [Applicable/Not Applicable]

[Reference $Item_{final}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference $Item_{final}$ Determination Applicable) | Valuation $Dates_t$ (where Reference $Item_{final}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●], [●], [●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference $Item_{final}$, unless relevant amount specified in which case delete the above table*)]

[– Scaling Factor: [100]/[●] per cent.]

[– Cap %: [●]/[Infinity]]

[– Floor %: [●]/[Zero]]

(ii) Currency Rate: [●]

(iii) Currency Page: [●]

(iv) Event Currency: [●]/[Reference Currency]

(v) Base Currency: [●]/[Specified Currency]

(vi) Reference Currency: [●]

(vii) Valuation Time: [●]

(viii) Currency Disruption Events: [Not applicable]

[Benchmark Obligation Default]

[Benchmark Obligation description: [●]] *(if Benchmark Obligation Default applicable)*

[Dual Exchange Rate]

[General Inconvertibility]

[General Non-Transferability]

[Governmental Authority Default]

[Illiquidity]

[Minimum Amount: [●]]; [Illiquidity Valuation Date: [●]] *(if Illiquidity applicable)*

[Material Change in Circumstances]

[Nationalisation]

[Price Materiality]

[Secondary Rate: [●]]

[Price Materiality Percentage [●]]*(if Price Materiality applicable*)

[Price Source Disruption]

[Specific Inconvertibility]

[Minimum Amount:[●]] *(if Specific Inconvertibility applicable*)

[Specific Non-Transferability]]

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

(i) The identity of the relevant Commodity/Commodities/Commodity Index/Commodity Indices: [*Give or annex details of the relevant Commodity/Commodity Index, as applicable*]:

***[The following apply only to Notes which have a single Commodity/Commodity Index]:***

| | |
|---|---|
| Commodity: | [*name and short description of commodity*] [Not Applicable] |
| Bullion Commodity: | [Applicable][Not Applicable] |
| Commodity Index: | [*name and short description of index and components*] [Not Applicable] |
| Commodity Reference Price: | [●][Commodity Reference Dealers] |
| Unit: | [●][Not Applicable] |
| Delivery Date: | [●][Nearby Month][Not Applicable] |
| Exchange: | [●][Not Applicable] |
| Price Source: | [●] |
| Specified Price: | [●][the high price][the low price][average of the high price and the low price][the closing price][the opening price][the bid price][the asked price][the average of the bid price and the asked price][the settlement price][the official settlement price][the official price][the morning fixing][the afternoon fixing][the spot price] |
| Index Sponsor: | [●][Not Applicable] |
| Fallback Reference Price: | [●] |

***[The following apply only to Notes with a Commodities basket component]:***

A basket composed of Commodities/Commodity Indices as specified below:

| | |
|---|---|
| Commodity: | [*name and short description of commodity*][Not Applicable] |

| | |
|---|---|
| Bullion Commodity: | [Applicable][Not Applicable] |
| Commodity Index: | [*name and short description of index and components*] [Not Applicable] |
| Commodity Reference Price: | [●][Commodity Reference Dealers] |
| Unit: | [●][Not Applicable] |
| Delivery Date: | [●][Nearby Month][Not Applicable] |
| Exchange: | [●][Not Applicable] |
| Price Source: | [●] |
| Specified Price: | [●][the high price][the low price][average of the high price and the low price][the closing price][the opening price][the bid price][the asked price][the average of the bid price and the asked price][the settlement price][the official settlement price][the official price][the morning fixing][the afternoon fixing][the spot price] |
| Index Sponsor: | [●][Not Applicable] |
| Fallback Reference Price: | [●] |

[*Replicate the details in respect of each Commodity/Commodity Index in the basket*]

(ii) Redemption Amount: [[●]]
(*Populate the provisions below*)

[– Commodity Redemption Multiplier: [+/-][100]/[●] per cent.
*(This may be a negative value.)*]

[– Reference $Item_{initial}$: [[●]
*(Insert relevant amount, unless Reference $Item_{initial}$ Determination or Reference $Item_{final}$ Averaging applies)*]

[Reference $Item_{initial}$ Determination: [Applicable/Not Applicable]

[Reference $Item_{initial}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference $Item_{initial}$ Determination Applicable) | Valuation $Dates_t$ (where Reference $Item_{Initial}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference $Item_{initial}$, unless relevant amount specified in which case delete the above table*)]

[– Reference $Item_{final}$: [[●]
*(Insert relevant amount, unless Reference $Item_{final}$ Determination or Reference $Item_{final}$ Averaging applies)*]

[Reference $Item_{final}$ Determination: [Applicable/Not Applicable]

[Reference Item$_{final}$ Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

| Valuation Date (where Reference Item$_{final}$ Determination Applicable) | Valuation Dates$_t$ (where Reference Item$_{final}$ Averaging Applicable) |
|---|---|
| [N/A]<br>[●] | [N/A]<br>[●],[●],[●] |

(*Insert the different Valuation Dates for the purpose of determining each Reference Item$_{final}$, unless relevant amount specified in which case delete the above table*)]

[– Scaling Factor: [100/[●] per cent.]]

[– Cap %: [●]/[Infinity]]

[– Floor %: [●]/[Zero]]

(iii) Commodity Business Day Convention: [Following/Modified Following/Nearest/Preceding]

(iv) Common Pricing: [Applicable/Not Applicable]

(v) Commodity Business Day: [*Specify*/The definition in Condition 10 applies]

(vi) Market Disruption Event(s): [Other Market Disruption Events][The following Market Disruption Events apply to the Notes:

[Price Source Disruption]

[Trading Disruption: *specify any additional futures/options contract commodity*]

[Disappearance of Commodity Reference Price]

[Material Change in Formula]

[Material Change in Content]

[Tax Disruption]]

(vii) Disruption Fallback(s): [Other Disruption Fallbacks] [The following Disruption Fallbacks apply to the Notes (in the following order):

[Fallback Reference Dealers: *specify alternate Commodity Reference Price*]

[Fallback Reference Price]

[Cancellation]

[Postponement]

[Calculation Agent Determination]

[Delayed Publication and Announcement]]

(viii) Maximum Days of Disruption: [●][five]

(ix) Correction of Commodity Prices: Correction of Commodity Prices [applies/does not apply and the Relevant Price shall be calculated without regard to any subsequently published correction].

(x) Correction Cut-Off Date: [[●] Business Days prior to the Maturity Date/Not Applicable.]

(xi) Trade Date: [●]

35 **Credit Linked Notes:** [Applicable][Not Applicable]

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

(i) Type of Notes: [Single Name Credit Linked Notes][Basket Credit Linked Notes Notes][Index Tranche Credit Linked Notes]

| | |
|---|---|
| (ii) Credit Event Redemption Method: | [Auction Redemption][Cash Redemption][Fixed Recovery Redemption] |
| [– Fallback Redemption Method: | [Cash Redemption][Not Applicable]] (*Only applicable where 'Auction Redemption' is the Credit Event Redemption Method*) |
| (iii) [Fixed Recovery Percentage: | [●] per cent.]] (*Delete this row if not applicable*) |
| (iv) Credit Payment on Maturity: | [Applicable][Not Applicable] |
| (v) Credit Event Accrued Interest: | [Applicable][Not Applicable] |
| (vi) Credit Event Suspended Interest: | [Applicable][Not Applicable] |
| (vii) Credit Event Deferred Interest on Loss Amount: | [Applicable][Not Applicable] |
| (viii) Single Name Credit Linked Notes: | [Applicable][Not Applicable]<br>(*If not applicable, delete remaining sub-paragraphs of this paragraph*) |
| – Reference Entity: | [*Specify*] |
| – Seniority Level: | [Senior Level][Subordinated Level] |
| – Standard Reference Obligation: | [Applicable][Not Applicable]<br>(*Where Applicable, specify Reference Obligation below if the fallback to a Non-Standard Reference Obligation under paragraph (c) of the definition of "Reference Obligation" is to apply*) |
| – Reference Obligation: | [*Specify Reference Obligation*] |
| – Auction Redemption Amount: | [*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions] (*Only include if 'Auction Redemption' is applicable*) |
| – Cash Redemption Amount: | [*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions] (*Only include if 'Cash Redemption' is applicable, including where 'Cash Redemption' is the Fallback Redemption Method*) |
| – Cash Redemption Date: | [[●] Business Days following the relevant date specified in the Credit Linked Conditions][As per the Credit Linked Conditions] (*Only include if Cash Redemption is the Credit Event Redemption Method or the Fallback Redemption Method*) |
| – Final Auction Redemption Amount: | [*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions](*Only include if 'Auction Redemption' and 'Credit Payment on Maturity' applies*) |
| – Final Cash Redemption Amount: | [*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions](*Only include if 'Cash Redemption' and 'Credit Payment on Maturity' applies*) |
| – Funding Interest Rate: | [●] |
| (ix) Basket Credit Linked Notes: | [Applicable][Not Applicable]<br>(*If not applicable, delete remaining sub-paragraphs of this paragraph*) |
| – Index: | [*Specify*][Not Applicable] |

– Reference Entities, Weighting, Reference Entity Notional Amount and Seniority Level:

[As set out in Appendix 1 to the Final Terms](*Insert if 'Index' is applicable*)

[(*Insert below table if 'Index' is not applicable*)

| **Reference Entity:** | **Weighting:** | **Reference Entity Notional Amount:** | **Seniority Level:** |
|---|---|---|---|
| [*Specify*] | [*Specify*] | [*Specify*] | [Senior Level] [Subordinated Level] |
| [*Specify*] | [*Specify*] | [*Specify*] | [Senior Level] [Subordinated Level] |

(*Repeat rows as necessary*)]

– Standard Reference Obligations:

[Applicable][Not Applicable]

(*Where applicable, specify Reference Obligation(s) below if the fallback to a Non-Standard Reference Obligation under paragraph (c) of the definition of "Reference Obligation" is to apply. Insert the Non-Standard Reference Obligation for each Reference Entity*)

– Reference Obligations:

[*Specify Reference Obligation(s)*] (*If 'Index' is not applicable, insert the Reference Obligation for each Reference Entity*) [In respect of each Reference Entity, the obligation identified in respect of such Reference Entity in the Appendix hereto](*Insert if 'Index' is applicable*)

– Basket Auction Redemption Amount:

[*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions] (*Only include if 'Auction Redemption' is applicable*)

– Basket Auction Redemption Date:

[[●] Business Days following the relevant date specified in the Credit Linked Conditions][As per the Credit Linked Conditions] (*Only include if Auction Redemption is the Credit Event Redemption Method*)

– Basket Cash Redemption Amount:

[*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions] (*Only include if 'Cash Redemption' is applicable, including where 'Cash Redemption' is the Fallback Redemption Method*)

– Basket Cash Redemption Date:

[[●] Business Days following the relevant date specified in the Credit Linked Conditions][As per the Credit Linked Conditions] (*Only include if Cash Redemption is the Credit Event Redemption Method or the Fallback Redemption Method*)

– Basket Final Auction Redemption Amount:

[*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions](*Only include if 'Auction Redemption' and 'Credit Payment on Maturity' applies*)

– Basket Final Cash Redemption Amount:

[*Specify if an alternative to that set out in the Credit Linked Conditions is to apply*][As per the Credit Linked Conditions](*Only include if 'Cash Redemption' and 'Credit Payment on Maturity' applies*)

– Funding Interest Rate:

[●]

(x) Index Tranche Credit Linked Notes:

[Applicable][Not Applicable]

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

– Index:

[*Specify*]

| | |
|---|---|
| – Reference Entities: | As set out in Appendix 1 to the Final Terms |
| – Standard Reference Obligations: | [Applicable][Not Applicable]<br>(*Where Applicable, specify Reference Obligation(s) below if the fallback to a Non-Standard Reference Obligation under paragraph (c) of the definition of "Reference Obligation" is to apply. Insert the Non-Standard Reference Obligation for each Reference Entity*) |
| – Reference Obligations: | [In respect of each Reference Entity, the obligation identified in respect of such Reference Entity in the Appendix hereto] |
| – Attachment Point: | [●] per cent. |
| – Detachment Point: | [●] per cent. |
| – Leverage: | [●] per cent. |
| – Tranche Size: | [●] [*This is the product of (a) the Original Aggregate Nominal Amount of the Notes and (b) the Detachment Point minus the Attachment Point*] |
| – Loss Threshold Amount: | [●] [*This is the product of the Original Aggregate Nominal Amount and the Attachment Point*] |
| – Recovery Threshold Amount: | [●] [*This is the product of (a) the Original Aggregate Nominal Amount and (b) 100% minus the Detachment Point*] |
| – Index Tranche Incurred Loss Amount: | [*Specify*][As per the Credit Linked Conditions] |
| – Index Tranche Incurred Recovery Amount: | [*Specify*][As per the Credit Linked Conditions] |
| – Index Tranche Cash Redemption Date: | [[●] Business Days following the relevant date specified in the Credit Linked Conditions][As per the Credit Linked Conditions] |
| – Index Tranche Auction Redemption Date: | [[●] Business Days following the relevant date specified in the Credit Linked Conditions][As per the Credit Linked Conditions] |
| – Funding Interest Rate: | [●] |
| (xi) Obligations: | |
| – Obligation Category: | [Payment][Borrowed Money][Reference Obligation Only] [Bond][Loan][Bond or Loan] (*Select one only*) |
| – Obligation Characteristics: | [Not Subordinated]<br>[Specified Currency] (*Specify unless the fallback in the definition of "Specified Currency" applies*)<br>[Not Sovereign Lender]<br>[Not Domestic Currency]<br>[Not Domestic Law]<br>[Listed]<br>[Not Domestic Issuance]<br>[None]<br>(*Select all that apply*) |
| – Excluded Obligation: | [*Specify*][Not Applicable] |
| – All Guarantees: | [Applicable][Not Applicable]<br>Fixed Cap: [*Specify*][Not Applicable] |
| (xii) Valuation Obligations: | |
| – Valuation Obligation Category: | [Payment][Borrowed Money][Reference Obligations Only] [Bond][Loan][Bond or Loan] (*Select one only*) |
| – Valuation Obligation Characteristics: | [Not Subordinated]<br>[Specified Currency] (*Specify unless the fallback in the definition of "Specified Currency" applies*) |

| | |
|---|---|
| | [Not Sovereign Lender]<br>[Not Domestic Currency]<br>[Domestic Currency] (*Specify unless the fallback in the definition of "Domestic Currency" in the Credit Linked Conditions applies*)<br>[Not Domestic Law]<br>[Listed]<br>[Not Domestic Issuance]<br>[Assignable Loan]<br>[Consent Required Loan]<br>[Direct Loan Participation]<br>[Transferable]<br>[Maximum Maturity [of [•] years (*Specify if default is not to apply*)]]<br>[Accelerated or Matured]<br>[Not Bearer] (*Select all that apply*)<br>[Together with [*Specify other obligation applicable for each Reference Entity other than those determined by reference to Obligation Category and Obligation Characteristics*]] |
| – Excluded Valuation Obligation: | [*Specify*][Not Applicable] |
| – All Guarantees: | [Applicable][Not Applicable]<br>Fixed Cap: [*Specify*][Not Applicable] |
| (xiii) Financial Reference Entity Terms: | [Applicable][Not Applicable] |
| (xiv) Subordinated European Insurance Terms: | [Applicable][Not Applicable] |
| (xv) Coco Supplementary Provisions: | [Applicable][Not Applicable] |
| [– [Trigger Percentage: | [●]] |
| (xvi) Credit Event[(s)]: | [Bankruptcy]<br>[Failure to Pay<br>Payment Requirement: [● *or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant failure to pay*] [OR] [As per the Credit Linked Conditions]<br>Grace Period Extension: [Applicable][Not Applicable]<br>[Grace Period: [*Specify*][As per the Credit Linked Conditions]]<br>[Governmental Intervention]<br>[Obligation Acceleration]<br>[Obligation Default]<br>[Repudiation/Moratorium]<br>[Restructuring<br>Mod R: [Applicable][Not Applicable]<br>Mod Mod R: [Applicable][Not Applicable]<br>Multiple Holder Obligation: [Applicable][Not Applicable]]<br>[*Select all that apply*] |
| – Default Requirement: | [*Specify*][As per the Credit Linked Conditions] |
| – All Guarantees: | [Applicable][Not Applicable]<br>Fixed Cap: [*Specify*][Not Applicable] |

| | |
|---|---|
| – Notice of Publicly Available Information: | [Not Applicable] [*Note that it is not necessary to specify "Applicable" as the default position under the Credit Linked Conditions is for a Notice of Publicly Available Information to apply*]<br>Public Source(s): [*Specify*][As per the Credit Linked Conditions]<br>Specified Number: [*Specify*][As per the Credit Linked Conditions]] |
| (xvii) Non-Standard Event Determination Date: | [Applicable][Not Applicable] |
| (xviii) Event Determination Date Version B: | [Applicable][Not Applicable] (*Specify Event Determination Date Version B as applicable where the hedging CDS has only one Notifying Party* (*i.e. "Buyer" or "Seller" is specified as the Notifying Party*). *Otherwise specify "Not Applicable" and the Event Determination Date provisions which are equivalent to having two Notifying Parties under a CDS will apply]* |
| (xix) Movement Option: | [Restructuring Maturity Limitation and Full Transferable Obligation Applicable][Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable] |
| (xx) Cash Redemption Terms: | [Applicable][Not Applicable] |
| – Valuation Date[(s)]: | [Single Valuation Date:<br>Number of Business Days: [*Specify*][As per the Credit Linked Conditions]]<br>[Multiple Valuation Dates:<br>[●] Business Days and each [●] Business Days thereafter. [Number of Valuation Dates: [●]]] |
| – Valuation Time: | [*Specify*][As per the Credit Linked Conditions] |
| – Valuation Method: | [Highest][Market][Average Highest][Average Market][Lowest] |
| – Quotation Method: | [Bid][Offer][Mid-market] |
| – Quotation Dealers: | [*Specify*][As per the Credit Linked Conditions] |
| – Accrued Interest: | [Include Accrued Interest][Exclude Accrued Interest][As per Credit Linked Condition 12(b)(ii)III] |
| (xxi) Physical Settlement Matrix Standard Terms: | [Applicable][Not Applicable]<br>[Physical Settlement Matrix: [*Specify*][As per the Credit Linked Conditions]<br>Transaction Type: [*Specify*]] |
| (xxii) Redemption Following Merger: | [Applicable][Not Applicable] |
| (xxiii) Settlement Currency: | [*Specify*][As per the Credit Linked Conditions] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

**36** Form of Notes:

| | |
|---|---|
| (i) [Form: | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes only upon an Exchange Event]] |
| (ii) New Global Note: | [Yes] [No] |

| | | |
|---|---|---|
| **37** | Calculation Agent responsible for calculating the [Variable] Rate(s) of Interest, Interest Amount(s), Redemption Amount(s) and for making calculations pursuant to [Condition 3(*c*)][Condition 6][Condition 7][Condition 8][Condition 9][Condition 10][Condition 11][Condition 12][Condition 5(*e*)][the Conditions]: | [(*Give name and address*)] |
| **38** | Additional Financial Centre(s) and/or other elections relating to Payment Days: | [Not Applicable/*give details*] (*Note that this item relates to the place of payment and not "Business Days" for the purposes of the Maturity Date, Interest Payment Dates and Optional Redemption Dates – please insert any additional financial centres required for the definition of Payment Day which applies to payments to be made to Noteholders and separate from the definition of "Additional Business Centre" and "Business Day"*)<br>[TARGET Not Required]<br>[Principal Financial Centre Not Required] |
| **39** | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No (if yes, give details)]] |
| **40** | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/give details]<br>*(NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)* |
| **41** | Details relating to Instalment Notes: | |
| | (i) Instalment Amount(s): | [Not Applicable/*give details*] |
| | (ii) Instalment Date(s): | [Not Applicable/*give details*] |

**THIRD PARTY INFORMATION**

[[●] (the "**Reference Information**") has been extracted from [www.standardandpoors.com, www.moodys.com and www.fitchratings.com (the "**Relevant Websites**")]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [each of the Relevant Websites], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By:_____
*Duly authorised*

By:_____
*Duly authorised*

Signed on behalf of the Guarantor:

By:_____ By: _____

*Duly authorised* *Duly authorised*

## PART B – OTHER INFORMATION

1. **ADMISSION TO TRADING:**

| | |
|---|---|
| Admission to trading: | [Application [has been made]/[is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*]/[the Regulated Market of the Luxembourg Stock Exchange] with effect from on or around [the Issue Date][●].] [Not Applicable.] |
| [Estimate of total expenses related to admission to trading: | [●].]] (*include only if Notes are issued that require information to be given in accordance with Annex XIII of the Regulation (EC) 809/2004 as amended*) |

2. **[RATINGS[1]:** The Notes to be issued have not been rated. The rating of the Guarantor is:

[Standard & Poor's Credit Market Services Italy Srl.: [●]]

[Moody's France S.A.S.: [●]]

[Fitch France S.A.S.: [●]]

[[Other]: [●]]

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

[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert credit rating agency name(s)*].]

[[*Insert credit rating agency*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert credit rating agency*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" as published by ESMA in accordance with Article 18(3) of such Regulation]

[[*Insert credit rating agency*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [*insert the name of the relevant EU CRA affiliate that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert credit rating agency*].]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [*insert the name of the relevant*

[1] A list of credit rating agencies registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" is published on the ESMA website (http://esma.europa.eu/page/List-registered-and-certified-CRAs).

*EU-registered credit rating agency*] in accordance with Regulation (EC) No. 1060/2009. [*Insert the name of the relevant EU-registered credit rating agency*] is established in the European Union and registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" as published by ESMA in accordance with Article 18(3) of such Regulation.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]] (*include only if Notes are issued that require information to be given in accordance with Annex XIII of the Regulation (EC) 809/2004 as amended*)

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:**

[Save for any fees payable to the [Dealers/Managers/Initial Authorised Offerors/Authorised Offerors], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers/Initial Authorised Offerors] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.] *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 Base Prospectus under Article 16 of the Prospectus Directive.*)]

4. **[REASONS FOR THE OFFER**

[Reasons for the offer: [●]

(*See "Use of Proceeds" wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)] (*include only if Notes are issued that require information to be given in accordance with Annex XII of the Regulation (EC) 809/2004 as amended*)

5. **YIELD:**

[Indication of yield: [*Include for Fixed Rate Notes only*]

(i) Gross yield: [●]

(ii) Net yield: [●]

] (*include only if Notes are issued that require information to be given in accordance with Annex XIII of the Regulation (EC) 809/2004 as amended*)

Maximum yield: [●][*Include for Floating Rate Notes only where a maximum rate of interest applies*]

[Not applicable]

Minimum yield: [●][*Include for Floating Rate Notes only where a minimum rate of interest applies*]

[Not applicable]

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

[Details of historic and projected performance of [LIBOR/EURIBOR/CMS] rates can be obtained from

[Reuters].][Not applicable]

7. **PERFORMANCE OF [THE INDEX/BASKET OF INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING [THE INDEX/BASKET OF INDICES]:** (*Index-Linked Notes only*)

[The details of past and future performance and volatility of the index/indices/formula(s) can be obtained on [*insert relevant Bloomberg page*].

[*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 the name of [the/each] Index/Indices and a description if composed by the Issuer and if [the/each] Index/Indices 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 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 Base Prospectus under Article 16 of the Prospectus Directive.*)]][Not applicable]

8. **PERFORMANCE OF [THE UNDERLYING EQUITY/BASKET OF UNDERLYING EQUITIES], AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE UNDERLYING EQUITY/BASKET OF UNDERLYING EQUITIES]]** (*Equity Linked Notes only*)

[The details of past and future performance and volatility of the Underlying Equity/Basket of Underlying Equities can be obtained on [*insert relevant Bloomberg page*].

[*Need to include the name of [the/each] issuer of the underlying equity/underlying equities and the ISIN or other identification code*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*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 Base Prospectus under Article 16 of the Prospectus Directive.*)]][Not applicable]

9. **PERFORMANCE OF INFLATION AND OTHER INFORMATION CONCERNING INFLATION INDEX]** (*Inflation Linked Notes only*)

[The details of past and future performance and volatility of the relevant rates/formula/currencies/ inflation index can be obtained on [*insert relevant Bloomberg page*].

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*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 Base Prospectus under Article 16 of the Prospectus Directive.*)]][Not applicable]

10. **PERFORMANCE OF [THE UNDERLYING FUND INTEREST/BASKET OF FUND INTERESTS] AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE UNDERLYING FUND INTEREST/BASKET OF FUND INTERESTS]]** (*Fund Linked Notes only*)

[The details of past and future performance and volatility of the underlying fund interest/basket of fund interests can be obtained from [*insert relevant source*].

[*Need to include the name of [the/each] [underlying fund/fund interests in the basket]*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[*(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 Base Prospectus under Article 16 of the Prospectus Directive.)*]][Not applicable]

11. **PERFORMANCE OF [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES/ INDEX OR INDICES] AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES/ INDEX OR INDICES]]** (*Currency Linked Note, or Notes linked to any other underlying only*)

[The details of past and future performance and volatility of the relevant rates/formula/currencies/ index or indices can be obtained on [*insert relevant Bloomberg page*].

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*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 Base Prospectus under Article 16 of the Prospectus Directive.*)]][Not applicable]

12. **PERFORMANCE OF [THE UNDERLYING COMMODITY/BASKET OF UNDERLYING COMMODITIES/THE COMMODITY INDEX/ BASKET OF COMMODITY INDICES] AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE COMMODITY/BASKET OF COMMODITIES/COMMODITY INDICES]]** (*Commodity Linked Notes only*)

[The details of past and future performance and volatility of the relevant commodity/basket of commodities/commodity indices can be obtained on [*insert relevant Bloomberg page*].

[*Need to include [the/each] commodity identification code (if any)*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*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 Base Prospectus under Article 16 of the Prospectus Directive.*)]][Not applicable]

13. **INFORMATION IN RELATION TO THE REFERENCE ENTITY AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE REFERENCE ENTITY]** (*Credit Linked Notes only*)

[The details of past and future performance and volatility of the Reference Entity can be obtained on [*insert relevant Bloomberg page*].

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*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 Base Prospectus under Article 16 of the Prospectus Directive.*)]][Not applicable]

14. **OPERATIONAL INFORMATION:**

| | | |
|---|---|---|
| (i) | ISIN: | [●] |
| (ii) | Common Code: | [●] |
| (iii) | Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)*] |
| (iv) | Delivery: | Delivery against payment |
| (v) | Agent: | [KBL European Private Banker S.A] [*other*] |
| (vi) | Names and addresses of additional Paying Agent(s) (if any): | [●][Not applicable]<br>(*Insert here any other relevant codes such as CUSIP and CINS codes*) |

| | |
|---|---|
| (vii) Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/<br><br>[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]] |

15. **DISTRIBUTION**

| | |
|---|---|
| Method of distribution: | [Syndicated/Non-syndicated] |
| If syndicated: | |
| (A) Names of Managers: | [Not Applicable/*give names*] |
| (B) Stabilisation Manager(s) (if any): | [Not Applicable/*give names*] |
| If non-syndicated, name of Dealer: | [Not Applicable/*give name*] |
| U.S. Selling Restrictions: | [Reg. S Compliance Category [1/2/3]; [Rule 144A;] TEFRA C/ TEFRA D/ TEFRA not applicable] |

# APPENDIX 1

## [BASKET CREDIT LINKED NOTES]|[INDEX TRANCHE CREDIT LINKED NOTES] – REFERENCE ENTITIES AND WEIGHTING

*[For Basket Credit Linked Notes where 'Index' is applicable or Index Tranche Credit Linked Notes insert the component Reference Entities of the Index, their Weightings and their respective Reference Obligation(s)]*

*[Delete the Appendix if the Notes are not Basket Credit Linked Notes where 'Index' is applicable or Index Tranche Credit Linked Notes]*

| **Reference Entity:** | **Weighting:** | **Reference Entity Notional Amount:** | **Seniority Level:** |
|---|---|---|---|
| [*Specify*] | [*Specify*] | [*Specify*] | [Senior Level]<br>[Subordinated Level] |
| [*Specify*] | [*Specify*] | [*Specify*] | [Senior Level]<br>[Subordinated Level] |

[*Repeat rows as necessary*]

# FORM OF THE NOTES

***This section provides a general overview of the form in which the Notes may be issued.***

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a Temporary Global Note which will:

(i) if the Global Notes (as defined under "*Terms and Conditions of the Notes*" below) are specified in the applicable Final Terms to be issued in new global note ("**NGN**") form, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; and

(ii) if the Global Notes are not to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to the Common Depositary for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, Interest Amounts (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note 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 Agent. Any reference in this section "*Form of the Notes*" 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 approved by the Issuer and the Agent, and specified in the applicable Final Terms.

On and after the date (the "**Exchange Date**") which is the later of (i) 40 days after the Temporary Global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as determined and notified by the Agent (the "**Distribution Compliance Period**"), interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein for interests in a Permanent Global Note of the same Series without receipts, interest coupons or talons against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless upon due certification, exchange of the Temporary Global Note for interests in the Permanent Global Note is improperly withheld or refused. Pursuant to the Agency Agreement the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

Payments of principal, Interest Amounts (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification. Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipt, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (A) an Event of Default (as defined in Condition 16) has occurred and is continuing, or (B) 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 no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 20 (*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 Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after

the dates of receipt of the first relevant notice by the Agent. Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all Notes, on all interest coupons and on all tallons for further interest coupons:

'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 holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the times being of Euroclear or Clearstream, Luxembourg, as the case may be.

A Note may be accelerated automatically by the holder thereof in certain circumstances described in Condition 16. In such circumstances, where any Note is still represented by a Global Note (or any part thereof) and a holder of such Note so represented and credited to his securities account with Euroclear or Clearstream, Luxembourg gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such Global Note, such Global Note will become void at 8.00 pm (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 21 June 2016 as amended and/or supplemented and/or restated from time to time executed by the Issuer.

In Belgium, Notes shall not be physically delivered, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

# TERMS AND CONDITIONS OF THE NOTES

*This section sets out the contractual terms and conditions of the Notes. The subsections on Interest Amounts and redemption contain certain options for determining interest payments (if any), early redemption rights and final redemption payments. The Final Terms will indicate which of these options shall apply for each specific Notes issuance.*

The following are the Terms and Conditions of the Notes which, as completed in accordance with the applicable Final Terms, will be incorporated by reference into each Global Note (as defined below) and each Definitive Note (as defined below), in the latter case only if permitted by the rules of the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but if not so permitted and agreed, such Definitive Note will have endorsed upon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note and Definitive Note. Reference should be made to "Form of Final Terms" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions and/or will specify which of such terms are to apply in relation to the relevant Notes.

The Notes are one of a Series (as defined below) of Notes issued by KBC IFIMA S.A. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean (i) in relation to any Notes represented by a global note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency, (ii) any Definitive Notes issued in exchange for a Global Note (a "**Definitive Note**") and (iii) any Global Note.

The Notes, the Receipts (as defined below) and any Coupons (as defined below) are issued pursuant to and have the benefit of an Agency Agreement (the "**Agency Agreement**") dated 21 June 2016 as amended and/or supplemented and/or restated from time to time in relation to the Issuer's EUR 15,000,000,000 Wholesale Euro Medium Term Note Programme, and made among the Issuer, KBC Bank NV (the "**Guarantor**") as guarantor, KBL European Private Bankers S.A. as issuing and principal paying agent (the "**Agent**", which expression shall include any successor agent specified in the applicable Final Terms), and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

Interest bearing Definitive Notes (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 herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for a Series of Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms and are attached hereto or endorsed hereon and complete these Terms and Conditions (the "**Conditions**") for the purposes of such Series of Notes. References to the "applicable Final Terms" are to the Final Terms (or the relevant provisions thereof) attached hereto or endorsed hereon.

The payment and, where applicable, delivery of all amounts in respect of the Notes has been guaranteed by the Guarantor pursuant to a deed of guarantee dated 21 June 2016 as amended and/or restated from time to time (the "**Guarantee**") executed by the Guarantor. The original of the Guarantee is held by the Agent on behalf of the Noteholders, the Couponholders and the Receiptholders at its specified office.

The Notes are issued on an unsubordinated basis by the Issuer and guaranteed on an unsubordinated basis by the Guarantor as described in Condition 2 (Status of the Notes and the Guarantee). Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the holders of the Notes, and shall, in relation to any Notes represented by a Global Note, 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 Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant executed by the Issuer (the "**Deed of Covenant**") dated 21 June 2016 as amended and/or supplemented and/or restated from time to time. The original of the Deed of Covenant is held by a common depositary on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, 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 at, and copies may be obtained from, the specified office of each of the Paying Agents, save that a Final Terms relating to a Note which is 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 Prospectus Directive will only be available for inspection by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its holding of such Notes and identity. Copies of the applicable Final Terms relating to Notes which are admitted to trading on a regulated market in the European Economic Area and/or offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive are also available for viewing on the website of the Luxembourg Stock Exchange, www.bourse.lu. The Noteholders, 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 these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these 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 will prevail.

## 1 Form, Denomination and Title

The Notes are in bearer form and, in the case of Definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Range Accrual Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes (each, an "**Interest Basis**") or a combination of any of the foregoing, depending upon the Interest Basis or Interest Bases shown in the applicable Final Terms. The Notes will be Fixed Redemption Notes (redeeming at par unless the Final Redemption Amount is otherwise specified in the applicable Final Terms), Index Linked Redemption Notes, Equity Linked Redemption Notes, Inflation Linked Redemption Notes, Currency Linked Redemption Notes, Commodity Linked Redemption Notes, Credit Linked Notes and may be Partly Paid Notes, Instalment Notes and/or Autocall Notes, depending upon the Redemption/Payment Basis shown in the applicable Final Terms. Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon 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 Note, without prejudice to the provisions set out in the next paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream, Banking société anonyme ("**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 of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or Interest Amounts on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

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.

## 2 Status of the Notes and the Guarantee

(a) *Ranking of Notes and Coupons*

The Notes and the relevant Receipts and Coupons constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer and *pari passu* without any preference among themselves except for obligations given priority by law.

(b) *Notes Guaranteed*

The Notes are guaranteed as to payment of principal and Interest Amounts by the Guarantor upon the terms contained in the Guarantee.

(c) *Ranking of Claims on the Guarantee*

Claims in respect of the Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Guarantor, without any preference among themselves and *pari passu* 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.

## 3 Interest

The applicable Final Terms may specify one or more Interest Basis as being applicable to the Notes. Where more than one Interest Basis is applicable, the Notes shall bear interest in accordance with each of the provisions of this Condition 3 that apply to each applicable Interest Basis. Where an Interest Basis specified in the applicable Final Terms is:

(i) Index Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 6;

(ii) Equity Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 7;

(iii) Inflation Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 8;

(iv) Currency Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 9;

(v) Commodity Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 10; and

(vi) Fund Limited Interest Notes, then the provisions of this Condition 3 are subject to Condition 11.

*(a) Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) its Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified in the applicable Final Terms. Interest will accrue in respect of each Interest Period (as defined in Condition 3*(f)*) and will be payable in arrear on the Interest Payment Date(s).

The Interest Amount (as defined in Condition 3*(f)*) payable on Fixed Rate Notes in respect of any Interest Period shall be calculated by applying the relevant Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note in accordance with this Condition 3(*a*) shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

For the purposes of these Conditions:

"**Fixed Day Count Fraction**" means, in respect of the calculation of an Interest Amount in accordance with this Condition 3*(a)*:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Period End Date (or, if none, the applicable Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) 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; and

(2) 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;

(ii) if "Actual/Actual" or "Actual/Actual (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 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);

(iii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iv) 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 Period End Date falling in a leap year, 366;

(v) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(vi) if "30/360", "360/360" or "Bond 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:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$M_1$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$M_2$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$D_1$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case $D_1$ will be 30; and

"$D_2$" 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 $D_1$ is greater than 29, in which case $D_2$ will be 30;

(vii) 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:

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

where:

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

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(viii) 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:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Interest Period falls:

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$M_1$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$M_2$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$D_1$" 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 $D_1$ will be 30;

"$D_2$" 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 $D_2$ will be 30; and

(ix) if "1/1" is specified in the applicable Final Terms, 1,

where:

"**Determination Period**" means, for the purposes of Actual/Actual (ICMA) only, the period from (and including) a Determination Date to (but excluding) the next Determination Date (including where either the applicable Interest Commencement Date or final Interest Period End 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).

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

(i) *Interest Period End Dates and Interest Payment Dates*

Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Commodity Linked Interest Notes, Inflation Linked Interest Notes and Currency Linked Interest Notes bear interest at the rate per annum (expressed as a percentage) equal to the rate of interest determined in accordance with Condition 3*(b)*(ii), from (and including) their Interest Commencement Date. Interest will accrue in respect of each Interest Period (as defined in Condition 3*(f)*) relating to an Interest Basis and will be payable in arrear on the applicable Interest Payment Date(s). The Interest Amount payable shall be calculated in accordance with Condition 3*(b)*(iv).

(ii) Rate(s) of Interest

The rate(s) of interest payable from time to time in respect of Notes that are Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Commodity Linked Interest Notes, Inflation Linked Interest Notes and/or Currency Linked Interest Notes will be equal to the rate(s) of interest determined in accordance with this Condition 3*(b)*(ii), depending on the Interest Variable Option specified for each such applicable Interest Basis in the applicable Final Terms (each, a "**Variable Rate of Interest**"), but subject always to any minimum and/or maximum limits imposed on such Variable Rate of Interest in accordance with Condition 3*(b)*(iii).

For the purposes of any calculations required to calculate a Variable Rate of Interest, unless otherwise specified, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded upwards).

(A) ISDA Determination

For Floating Rate Notes in respect of which ISDA Determination is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for an Interest Period will be the product of (1) the relevant ISDA Rate plus or

minus (as indicated in the applicable Final Terms) the Margin (if any) and (2) the Interest Multiplier specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

(I) the Floating Rate Option is as specified in the applicable Final Terms;

(II) the Designated Maturity is a period specified in the applicable Final Terms; and

(III) the relevant Reset Date is the first day of that Interest Period, unless otherwise specified in the Final Terms.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Calculation Agent will be deemed to have discharged its obligations under Condition 3*(b)*(iv) in respect of the determination of the Rate of Interest if it has determined the Variable Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A) and applied the same in accordance with Conditions 3*(b)*(iii) and 3*(b)*(iv).

(B) Screen Rate Determination

(1) For Floating Rate Notes in respect of which Screen Rate Determination is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for an Interest Period will, subject as provided below, be the product of (a) either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time (as defined in Condition 3*(b)*(ii)(B)(4) below) on the Interest Determination Date in question plus or minus the Margin (if any) (as indicated in the applicable Final Terms), all as determined by the Calculation Agent and (b) the Interest Multiplier specified in the applicable Final Terms.

(2) If the Reference Rate is specified in the applicable Final Terms to be LIBOR or EURIBOR, where:

(a) five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

(b) the Relevant Screen Page is not available or if in the case of Condition 3*(b)(*ii)(B)(1)(I) above, no such offered quotation appears or, in the case of Condition 3*(b)*(ii)(B)(1)(II) above, fewer than three

such offered quotations appear, in each case as at the Specified Time (as defined in Condition 3*(b)*(ii)(B)(4) below), the Calculation Agent shall request each of the Reference Banks (as defined in Condition 3*(b)*(ii)(B)(4) below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question and if on any Interest Determination Date:

(i) two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Variable Rate of Interest for such Interest Period shall be the product of (a) the arithmetic mean (rounded as provided above) of such offered quotations, plus or minus (as appropriate) the Margin (if any), and (b) the Interest Multiplier specified in the applicable Final Terms; or

(ii) fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Variable Rate of Interest for the relevant Interest Period shall be the product of (a) the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London interbank market or, if the Reference Rate is EURIBOR, the Euro-zone interbank market, as the case may be, plus or minus (as appropriate) the Margin (if any) and (b) the Interest Multiplier specified in the applicable Final Terms,

all as determined by the Calculation Agent; or

(c) the Variable Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Variable Rate of Interest shall be determined as at the last preceding Interest Determination Date.

(3) If the Reference Rate is CMS and no quotation appears on the Relevant Screen Page at the Specified Time on the relevant Interest Determination Date, then the Variable Rate of Interest will be determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the European inter-bank market at approximately the Specified Time on the relevant Interest Determination Date. The Calculation Agent will select the five swap dealers in its sole discretion and will request each of those dealers to provide a quotation of its rate in accordance with market practice. If at least three quotations are provided, the Variable Rate of Interest for the relevant Interest Period will be the product of (a) the arithmetic mean (rounded as provided above) of the quotations, eliminating the highest and lowest quotations or, in the event, of equality, one of the highest and one of the lowest quotations plus or minus (as appropriate) the Margin (if any) and (b) the Interest Multiplier specified in the applicable Final Terms. If fewer than three quotations are provided, the Calculation Agent will determine the Variable Rate of Interest in its sole discretion.

(4) For the purposes of this Condition 3*(b)*(ii)(B):

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, and in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent in its sole discretion.

"**Specified Time**" means 11.00 a.m. (London time) in the case of LIBOR, 11.00 a.m. (Brussels time) in the case of EURIBOR, or 11.00 a.m. (Frankfurt time) in the case of CMS.

(C) Rates Variance

For Floating Rate Notes in respect of which Rates Variance is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $[(\text{Rate}_1 - \{\text{Rate}_2 \text{ x SF}\}) \pm \text{Margin}]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(C)(1), unless a fixed percentage is specified in the applicable Final Terms, the value of $\text{Rate}_1$ and/or $\text{Rate}_2$ for each Interest Period will be equal to the Variable Rate of Interest determined in accordance with (I) Condition 3*(b)*(ii)(A) above, if ISDA Determination is specified as the $\text{Rate}_1$ Variable Option or $\text{Rate}_2$ Variable Option, respectively, for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as set out in the Rates Variable paragraph of the applicable Final Terms or (II) Condition 3*(b)*(ii)(B) above, if Screen Rate Determination is specified as the $\text{Rate}_1$ Variable Option or $\text{Rate}_2$ Variable Option, for which purpose only (a) the Reference Rate, Interest Determination Date and Relevant Screen Page are as set out in the Rates Variance paragraph of the applicable Final Terms, (b) the Interest Multiplier is 100 per cent. and (c) there is no Margin.

"**SF**" means the Scaling Factor specified in the applicable Final Terms.

(D) Evolution of Underlying Commodity

For Commodity Linked Interest Notes in respect of which Evolution of Underlying Commodity is specified in the applicable Final Terms as the Interest Variable Option the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\left\{\text{Commodity}_t - \left[\text{Commodity}_{t-1} \text{ x SF}\right]\right\}}{\text{Commodity}_{t-1}}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(D)(1), the value of $\text{Commodity}_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*) determined in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period, and the value of any $\text{Commodity}_{-1}$ for each Interest Period will be equal to the Commodity Reference Price determined in accordance with Condition 10 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the $\text{Commodity}_{\text{initial}}$ Valuation Date).

"**SF**" means the Scaling Factor specified in the applicable Final Terms.

(E) Evolution of Commodity Index

For Commodity Linked Interest Notes in respect of which Evolution of Commodity Index is specified in the applicable Final Terms as the Interest Variable Option the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\left\{\text{Commodity Index}_t - \left[\text{Commodity Index}_{t-1} \times SF\right]\right\}}{\text{Commodity Index}_{t-1}}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(E)(1), the value of Commodity $\text{Index}_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*) determined in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period, and the value of any Commodity $\text{Index}_{-1}$ for each Interest Period will be equal to the Commodity Index Reference Price determined in accordance with Condition 10 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the Commodity $\text{Index}_{initial}$ Valuation Date).

"**SF**" means the Scaling Factor specified in the applicable Final Terms.

(F) Evolution of Basket of Underlying Commodities

For Commodity Linked Interest Notes in respect of which Evolution of Basket of Underlying Commodities is specified in the applicable Final Terms as the Interest Variable Option the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\left\{\text{Commodity Basket}_t - \left[\text{Commodity Basket}_{t-1} \times SF\right]\right\}}{\text{Commodity}_{t-1}}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(F)(1), the value of Commodity $\text{Basket}_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*) determined in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period, and the value of any Commodity $\text{Basket}_{t-1}$ for each Interest Period will be equal to the Commodity Reference Price determined in accordance with Condition 10 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the Commodity $\text{Basket}_{initial}$ Valuation Date).

"**SF**" means the Scaling Factor specified in the applicable Final Terms.

(G) Evolution of Basket of Commodity Indices

For Commodity Linked Interest Notes in respect of which Evolution of Basket of Commodity Indices is specified in the applicable Final Terms as the Interest Variable Option the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\left\{\text{Commodity Indices Basket}_t - \left[\text{Commodity Indices Basket}_{t-1} \times SF\right]\right\}}{\text{CommodityIndex}_{t-1}}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(G)(1), the value of Commodity Indices $\text{Basket}_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*) determined in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period, and the value of any

Commodity Indices $Basket_{t-1}$ for each Interest Period will be equal to the Commodity Reference Price determined in accordance with Condition 10 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the Commodity Indices $Basket_{initial}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(H) Evolution of Underlying Equity

For Equity Linked Interest Notes in respect of which Evolution of Underlying Equity is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\left\{\text{Equity}_t - \left[\text{Equity}_{t-1} \times \text{SF}\right]\right\}}{\text{Equity}_{t-1}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(H)(1), the value of $Equity_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Interest Period, and the value of any $Equity_{t-1}$ for each Interest Period will be equal to the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the $Equity_{initial}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(I) Evolution of Basket of Underlying Equities

For Equity Linked Interest Notes in respect of which Evolution of Basket of Underlying Equities is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\left\{\text{Equity Basket}_t - \left[\text{Equity Basket}_{t-1} \times \text{SF}\right]\right\}}{\text{Equity Basket}_{t-1}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(I)(1), the value of $EquityBasket_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Valuation Date relating to such Interest Period, and the value of any $EquityBasket_{t-1}$ for each Interest Period will be equal to the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the $EquityBasket_{initial}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(J) Evolution of Underlying Fund Interest

For Fund Linked Interest Notes in respect of which Evolution of Underlying Fund Interest is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\left\{\text{Fund}_t - \left[\text{Fund}_{t-1} \text{ x SF}\right]\right\}}{\text{Fund}_{t-1}}\right) (\pm \text{Margin})\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(J)(1), the value of $Fund_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 11(*f*)) determined in accordance with Condition 11 in respect of the Valuation Date relating to such Interest Period, and the value of any $Fund_{t-1}$ for each Interest Period will be equal to the Reference Price determined in accordance with Condition 11 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the $Fund_{initial}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(K) Evolution of Basket of Underlying Fund Interests

For Fund Linked Interest Notes in respect of which Evolution of Basket of Underlying Fund Interests is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\left\{\text{Fund Basket}_t - \left[\text{Fund Basket}_{t-1} \text{ x SF}\right]\right\}}{\text{Fund Basket}_{t-1}}\right) \pm \text{Margin}\right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(K)(1), the value of $FundBasket_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 11(*f*)) determined in accordance with Condition 11 in respect of the Valuation Date relating to such Interest Period, and the value of any $FundBasket_{t-1}$ for each Interest Period will be equal to the Reference Price determined in accordance with Condition 11 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the $FundBasket_{initial}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(L) Evolution of Index

For Index Linked Interest Notes in respect of which Evolution of Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\left\{\text{Index}_t - \left[\text{Index}_{t-1} \times \text{SF}\right]\right\}}{\text{Index}_{t-1}}\right) \pm \text{Margin}\right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(L)(1), the value of any $Index_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 6*(d)*) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Interest Period, and the value of any $Index_{t-1}$ for each Interest Period will be equal to the Reference Price (as defined in Condition 6*(d)*) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the $Index_{initial}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(M) Evolution of Basket of Indices

For Index Linked Interest Notes in respect of which Evolution of Basket of Indices is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\{\text{Index Basket}_t - [\text{Index Basket}_{t-1} \times \text{SF})]}{\text{Index Basket}_{t-1}}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(*b*)(ii)(M)(1), the value of Index $\text{Basket}_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 6(*d*)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Interest Period, and the value of any $\text{IndexBasket}_{t-1}$ for each Interest Period will be equal to the Reference Price (as defined in Condition 6(*d*)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the Index $\text{Basket}_{\text{initial}}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(N) Evolution of Inflation

For Inflation Linked Interest Notes in respect of which Evolution of Inflation is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\{\text{Inflation}_t - [\text{Inflation}_{t-1} \times \text{SF}]\}}{\text{Inflation}_{t-1}}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(N)(1), the value of any $\text{Inflation}_t$ for each Interest Period will be equal to the Relevant Level (as defined in Condition 8*(c)*) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Reference Month relating to such Interest Period, and the value of any $\text{Inflation}_{t-1}$ for each Interest Period will be equal to the Relevant Level (as defined in Condition 8*(c)*) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Reference Month relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the $\text{Inflation}_{\text{initial}}$ Reference Month).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(O) Evolution of Currency

For Currency Linked Interest Notes in respect of which Evolution of Currency is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\{\text{Currency}_{t-1} - [\text{Currency}_t \times \text{SF}]\}}{\text{Currency}_t}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(O)(1), the value of any $\text{Currency}_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 9*(c)*) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to such Interest Period, and the value of any $\text{Currency}_{t-1}$ for each Interest Period will be equal to the Reference Price (as defined in Condition 9*(c)*) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to the immediately preceding

Interest Period (or, with respect to the first Interest Period following its Interest Commencement Date, the $Currency_{initial}$ Valuation Date).

"SF" means the Scaling Factor specified in the applicable Final Terms.

(P) Asian Option – Interest Rates

For Floating Rate Notes in respect of which Asian Option – Interest Rates is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{Rate_{t1} + Rate_{t2} + \cdots + Rate_{tn}}{n}\right) \pm Margin\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(P)(1), the value of any $Rate_t$ for each Interest Period will be equal to the Variable Rate of Interest determined in accordance with (I) Condition 3*(b)*(ii)(A) above, if ISDA Determination is specified as the $Rate_{tn}$ Variable Option, for which purpose the Floating Rate Option, Designated Maturity and Reset Date relating to each $Rate_{tn}$ are as set out in the Asian Option – Interest Rates paragraph of the applicable Final Terms or (II) Condition 3*(b)*(ii)(B) above, if Screen Rate Determination is specified as the $Rate_t$ Variable Option, for which purpose the Reference Rate, Interest Determination Date(s) and Relevant Screen Page relating to each $Rate_{tn}$ are as set out in the Asian Option – Interest Rates paragraph of the applicable Final Terms (b) the Interest Multiplier is 100 per cent. and (c) there is no Margin.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(Q) Asian Option – Index/Basket of Indices

(i) For Index Linked Interest Notes in respect of which Asian Option – Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\frac{\{Index_{t1} + Index_{t2} + \cdots + Index_{tn}\}}{n} - [Index_{initial} \times SF]}{Index_{initial}}\right) \pm Margin\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(Q)(i)(1), the value of (I) $Index_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 6(*d*)) determined (and subject to adjustment) in accordance with Condition 6 in respect of each $Index_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $Index_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 6*(d)*) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such $Index_t$ and the relevant Interest Period.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(ii) For Index Linked Interest Notes in respect of which Asian Option – Basket of Indices is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(3) $$\left[\left(\frac{\{\text{Index Basket}_{t1} \pm \text{Index Basket}_{t2} \pm \ldots \pm \text{Index Basket}_{tn}\}}{n} - [\text{Index Basket}_{initial} \text{ x SF}]}{\text{Index Basket}_{initial}}\right) \pm \text{Margin}\right]$$; and

(4) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(Q)(ii)(1), the value of (I) Index $\text{Basket}_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 6(*d*)) determined (and subject to adjustment) in accordance with Condition 6 in respect of each Index $\text{Basket}_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any Index Baskett for each Interest Period will be equal to the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Index Baskett and the relevant Interest Period.

For the purposes of the above, "SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(R) Asian Option – Inflation

For Inflation Linked Interest Notes in respect of which Asian Option – Inflation is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\left\{\frac{\text{Inflation}_{t1} + \text{Inflation}_{t2} + \ldots + \text{Inflation}_{tn}}{n}\right\} - [\text{Inflation}_{initial} \text{ x SF}]}{\text{Inflation}_{initial}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(R)(1), the value of (I) $\text{Inflation}_{initial}$ will be equal to the arithmetic average of the relevant Relevant Level(s) (as defined in Condition 8(*b*)) determined (and subject to adjustment) in accordance with Condition 8 in respect of each $\text{Inflation}_{initial}$ Reference Month specified in the applicable Final Terms and (II) any $\text{Inflation}_t$ for each Interest Period will be equal to the Relevant Level (as defined in Condition 8*(b)*) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Reference Month relating to such $\text{Inflation}_t$ and the relevant Interest Period.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(S) Asian Option – Underlying Commodity / Basket of Underlying Commodities

(i) For Commodity Linked Interest Notes in respect of which Asian Option – Underlying Commodity is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\frac{\text{Commodity}_{t1} + \text{Commodity}_{t2} + \ldots + \text{Commodity}_{tn}}{n} - [\text{Commodity}_{initial} \text{ x SF}]}{\text{Commodity}_{initial}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(S)(i)(1), the value of (I) $Commodity_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 10(*f*)) determined (and subject to adjustment) in accordance with Condition 10 in respect of each $Commodity_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $Commodity_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*)) determined in accordance with Condition 10 in respect of the Valuation Date relating to such $Commodity_t$.

"SF" means the Scaling Factor specified in the applicable Final Terms.

(ii) For Commodity Linked Interest Notes in respect of which Asian Option – Basket of Underlying Commodities is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\text{Commodity Basket}_{t1} + \text{Commodity Basket}_{t2} + \ldots + \text{Commodity Basket}_{tn}}{n} - [\text{Commodity Basket}_{initial} \times SF]}{\text{Commodity Basket}_{initial}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(S)(ii)(1), the value of (I) $Commodity\ Basket_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 10(*f*)) determined (and subject to adjustment) in accordance with Condition 10 in respect of each $Commodity\ Basket_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $Commodity\ Basket_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*)) determined in accordance with Condition 10 in respect of the Valuation Date relating to such $Commodity\ Basket_t$.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(T) Asian Option – Commodity Index / Basket of Commodity Indices

(i) For Commodity Linked Interest Notes in respect of which Asian Option – Commodity Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\text{CommodityIndex}_{t1} + \text{CommodityIndex}_{t2} + \ldots + \text{CommodityIndex}_{tn}}{n} - [\text{CommodityIndex}_{initial} \times SF]}{\text{CommodityIndex}_{initial}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(T)(i)(1), the value of (I) $Commodity\ Index_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 10(*f*)) determined (and subject to adjustment) in accordance with Condition 10 in respect of each $Commodity\ Index_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $Commodity\ Index_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*)) determined in

accordance with Condition 10 in respect of the Valuation Date relating to such Commodity $\text{Index}_t$.

"SF" means the Scaling Factor specified in the applicable Final Terms.

(ii) For Commodity Linked Interest Notes in respect of which Asian Option – Basket of Commodity Indices is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\frac{\text{Commodity Indices Basket}_{t1} + \text{Commodity Indices Basket}_{t2} + \ldots + \text{Commodity Indices Basket}_{tn}}{n} - \left[\text{Commodity Indices Basket}_{\text{initial}} \times \text{SF}\right]}{\text{Commodity Indices Basket}_{\text{initial}}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(T)(ii)(1), the value of (I) Commodity Indices $\text{Basket}_{\text{initial}}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 10(*f*)) determined (and subject to adjustment) in accordance with Condition 10 in respect of each Commodity Indices $\text{Basket}_{\text{initial}}$ Valuation Date specified in the applicable Final Terms and (II) any Commodity Indices $\text{Basket}_t$ for each Interest Period will be equal to the Commodity Reference Price (as defined in Condition 10*(f)*)) determined in accordance with Condition 10 in respect of the Valuation Date relating to such Commodity Indices $\text{Basket}_t$.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(U) Asian Option – Underlying Equity / Basket of Underlying Equities

(i) For Equity Linked Interest Notes in respect of which Asian Option – Underlying Equity is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left[\left(\frac{\{\text{Equity}_{t1} \pm \text{Equity}_{t2} \pm \ldots \pm \text{Equity}_{tn}\}}{n} - [\text{Equity}_{\text{initial}} \times \text{SF}]}{\text{Equity}_{\text{initial}}}\right) \pm \text{Margin}\right]$$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(U)(i)(1), the value of (I) $\text{Equity}_{\text{initial}}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 7(*d*)) determined (and subject to adjustment) in accordance with Condition 7 in respect of each $\text{Equity}_{\text{initial}}$ Valuation Date specified in the applicable Final Terms and (II) any $\text{Equity}_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such $\text{Equity}_t$ and the relevant Interest Period.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(ii) For Equity Linked Interest Notes in respect of which Asian Option – Basket of Underlying Equities is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\{\text{Equity Basket}_{t1} \pm \text{Equity Basket}_{t2} \pm \ldots \pm \text{Equity Basket}_{tn}\}}{n} - [\text{Equity Basket}_{initial} \times SF]}{\text{Equity Basket}_{initial}}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(U)(ii)(1), the value of (I) $\text{EquityBasket}_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 7(*d*)) determined (and subject to adjustment) in accordance with Condition 7 in respect of each $\text{EquityBasket}_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $\text{EquityBasket}_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Equity $\text{Basket}_t$ and the relevant Interest Period.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(V) Asian Option – Currency

For Currency Linked Interest Notes in respect of which Asian Option – Currency is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left[\left(\frac{\text{Currency}_{initial} - \left\{\left[\frac{\text{Currency}_{t1} \pm \text{Currency}_{t2} \pm \cdots \pm \text{Currency}_{tn}}{n}\right] \times SF\right\}}{\left[\frac{\text{Currency}_{t1} \pm \text{Currency}_{t2} \pm \cdots \pm \text{Currency}_{tn}}{n}\right]}\right) \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(V)(1), the value of (I) $\text{Currency}_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 9(*c*)) determined (and subject to adjustment) in accordance with Condition 9 in respect of each $\text{Currency}_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $\text{Currency}_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 9*(c)*) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to such $\text{Currency}_t$.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(W) Asian Option – Underlying Fund Interest / Basket of Underlying Fund Interests

(i) For Fund Linked Interest Notes in respect of which Asian Option – Underlying Fund Interest is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $\left\{\frac{\left[\frac{\text{Fund}_{t1} + \text{Fund}_{t2} + \ldots + \text{Fund}_{tn}}{n}\right] - \text{Fund}_{initial}}{\text{Fund}_{initial}}\right\} \pm \text{Margin}$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(W)(i)(1), the value of (I) $\text{Fund}_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 11(*e*)) determined (and subject to adjustment) in

accordance with Condition 11 in respect of each $Fund_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $Fund_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 11*(e)*) determined in accordance with Condition 11 in respect of the Valuation Date relating to such $Fund_t$.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(ii) Where the Fund Linked Interest Note provisions are specified to be applicable and Asian Option – Basket of Underlying Fund Interests is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

(1) $$\left\{\frac{\left[\frac{\text{Fund Basket}_{t1} + \text{Fund Basket}_{t2} + \ldots + \text{Fund Basket}_{tn}}{n}\right] - \text{Fund Basket}_{initial}}{\text{Fund Basket}_{initial}}\right\} \pm \text{Margin; and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(W)(ii)(1), the value of (I) $FundBasket_{initial}$ will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 11(*e*)) determined (and subject to adjustment) in accordance with Condition 11 in respect of each $FundBasket_{initial}$ Valuation Date specified in the applicable Final Terms and (II) any $FundBasket_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 11*(e)*) determined in accordance with Condition 9 in respect of the Valuation Date relating to such $FundBasket_t$.

"SF" means the Scaling Factor specified in the applicable Final Terms.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(X) Digital Option

For any of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Commodity Linked Interest Notes, Inflation Linked Interest Notes or Currency Linked Interest Notes, in respect of which Digital Option is specified as the Interest Variable Option within the applicable Final Terms, the Variable Rate of Interest for each Interest Period and such Interest Basis will be:

(1) the Digital Option Exercised Rate, if the Digital Option Payment Condition is satisfied; or

(2) the Digital Option Fallback Rate, if the Digital Option Payment Condition is not satisfied,

in each case with respect to the relevant Interest Period.

For the purposes of this Condition 3*(b)*(ii)(X):

(I) the "Digital Option Payment Condition" shall be satisfied with respect to an Interest Period if:

(a) "Greater Than" is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is greater than the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms;

(b) "Less Than" is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is less than the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms;

(c) "Greater Than Or Equal To" is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is greater than or equal to the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms; and

(d) "Less Than Or Equal To" is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is less than or equal to the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms;

(II) the "Digital Option Exercised Rate" with respect to an Interest Period means:

(a) if an interest rate (expressed as a percentage per annum rate) is specified as such in the applicable Final Terms, such interest rate;

(b) if ISDA Determination is specified as the Digital Option Payment Determination Method, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii)(A) above for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as set out in the applicable Final Terms;

(c) if Screen Rate Determination is specified as the Digital Option Payment Determination Method, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii)(B) above for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms; or

(d) if Collar – ISDA Rate is specified as the Digital Option Payment Determination Method, the Variable Rate of Interest will be:

$$[\text{MAX}\ (\text{Floor Rate};\ \{\text{MIN}\ [\text{Cap Rate};\text{Collar ISDA Rate} \pm \text{Collar Margin}]\})]$$

For the purpose of Condition 3(b)(ii)(X)(II)(d), the value of the Floor Rate, Cap Rate and Collar Margin (if any) shall be specified in the applicable Final Terms and the Collar ISDA Rate shall be the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) above for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as set out in the applicable Final Terms.

(e) if Collar – Screen Rate is specified as the Digital Option Payment Determination Method, the Variable Rate of Interest will be:

$$[\text{MAX}\ (\text{Floor Rate};\ \{\text{MIN}[\text{Cap Rate};\ \text{Screen Rate} \pm \text{Collar Margin}]\})]$$

For the purpose of Condition 3(b)(ii)(X)(II)(e), the value of the Floor Rate, Cap Rate and Collar Margin (if any) shall be specified in the applicable Final Terms and the Screen Rate shall be the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(B) above for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms.

(III) the "Digital Option Fallback Rate" with respect to an Interest Period means:

(a) if Zero is specified as such in the applicable Final Terms, zero (and no Interest Amount shall be payable in respect of the relevant Interest Period); or

(b) if an interest rate (expressed as a percentage per annum rate) is specified as such in the applicable Final Terms, such interest rate; or

(c) if ISDA Determination is specified as the Digital Option Fallback Rate, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii)(A) above for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as set out in the applicable Final Terms;

(d) if the Screen Rate Determination is specified as the Digital Option Fallback Rate, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii)(B) above for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms; or

(e) if Collar – ISDA Rate is specified as the Digital Option Fallback Rate, the Variable Rate of Interest will be:

$$[\text{MAX (Floor Rate; \{MIN [Cap Rate;Collar ISDA Rate} \pm \text{Collar Margin]\})}]$$

For the purpose of Condition 3(b)(ii)(X)(III)(e), the value of the Floor Rate, Cap Rate and Collar Margin (if any) shall be specified in the applicable Final Terms and the Collar ISDA Rate shall be the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) above for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as set out in the applicable Final Terms.

(f) if Collar – Screen Rate is specified as the Digital Option Fallback Rate, the Variable Rate of Interest will be:

$$[\text{MAX (Floor Rate; \{MIN[Cap Rate; Screen Rate} \pm \text{Collar Margin]\})}]$$

For the purpose of Condition 3(b)(ii)(X)(III)(f), the value of the Floor Rate, Cap Rate and Collar Margin (if any) shall be specified in the applicable Final Terms, and the Screen Rate shall be the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(B) above for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms.

(IV) the "Digital Option Variable" with respect to an Interest Period means:

(a) if the Digital Option Type is specified as Interest Rates and ISDA Determination is specified as the Digital Option Variable Interest Determination Method, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii)(A) above for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as set out in the applicable Final Terms; or

(b) if the Digital Option Type is specified as Interest Rates and Screen Rate Determination is specified as the Digital Option Variable Interest Determination Method, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii)(B) above for which

purpose the Reference Rate, Interest Determination Date(s) and Relevant Screen Page are as set out in the applicable Final Terms; or

(c) if the Digital Option Type is specified as Index, the Reference Price (as defined in Condition 6*(d)*) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Interest Period; or

(d) if the Digital Option Type is specified as Basket of Indices, the Reference Price (as defined in Condition 6*(d)*) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Interest Period; or

(e) if the Digital Option Type is specified as Underlying Commodity, the Reference Price (as defined in Condition 10(*f*)) determined (and subject to adjustment) in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period; or

(f) if the Digital Option Type is specified as Basket of Underlying Commodities, the Reference Price (as defined in Condition 10(*f*)) determined (and subject to adjustment) in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period; or

(g) if the Digital Option Type is specified as Commodity Index, the Reference Price (as defined in Condition 10(f)) determined (and subject to adjustment) in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period; or

(h) if the Digital Option Type is specified as Basket of Commodity Indices, the Reference Price (as defined in Condition 10(f)) determined (and subject to adjustment) in accordance with Condition 10 in respect of the Valuation Date relating to such Interest Period; or

(i) if the Digital Option Type is specified as Underlying Equity, the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Interest Period; or

(j) if the Digital Option Type is specified as Basket of Underlying Equities, the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Interest Period; or

(k) if the Digital Option Type is specified as Underlying Fund Interest, the Reference Price (as defined in Condition 11(*e*)) determined (and subject to adjustment) in accordance with Condition 11 in respect of the Valuation Date relating to such Interest Period; or

(l) if the Digital Option Type is specified as Basket of Underlying Fund Interests, the Reference Price (as defined in Condition 11(*e*)) determined (and subject to adjustment) in accordance with Condition 11 in respect of the Valuation Date relating to such Interest Period; or

(m) if the Digital Option Type is specified as Inflation, the Relevant Level (as defined in Condition 8*(b)*) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Reference Month relating to such Interest Period; or

(n) if the Digital Option Type is specified as Currency, the Reference Price (as defined in Condition 9*(c)*) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to such Interest Period.

(V) the "Digital Option Strike" with respect to an Interest Period means:

(a) if the Digital Option Type is specified as Interest Rates, (x) the percentage rate specified as such in the applicable Final Terms or (y) if ISDA Determination is specified as the Digital Option Strike, the Variable Rate of Interest determined in accordance with Condition 3(*b*)(ii)(A) above for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as set out in the applicable Final Terms; or (z) if Screen Rate Determination is specified as the Digital Option Strike, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii)(B) above for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms;

(b) if the Digital Option Type is specified as Underlying Commodity, (x) the amount specified as such in the applicable Final Terms or (y) if Commodity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 10*(f)*) determined in accordance with Condition 10 in respect of the relevant Valuation Date specified for that purpose;

(c) if the Digital Option Type is specified as Basket of Underlying Commodities, (x) the amount specified as such in the applicable Final Terms or (y) if Commodity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 10*(f)*) determined in accordance with Condition 10 in respect of the relevant Valuation Date specified for that purpose;

(d) if the Digital Option Type is specified as Commodity Index, (x) the amount specified as such in the applicable Final Terms or (y) if Commodity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 10(f)) determined in accordance with Condition 10 in respect of the relevant Valuation Date specified for that purpose;

(e) if the Digital Option Type is specified as Basket of Commodity Indices, (x) the amount specified as such in the applicable Final Terms or (y) if Commodity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 10(f)) determined in accordance with Condition 10 in respect of the relevant Valuation Date specified for that purpose;

(f) if the Digital Option Type is specified as Index, (x) the amount specified as such in the applicable Final Terms or (y) if Index Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 6*(d)*) determined in accordance with Condition 6 in respect of the relevant Valuation Date specified for that purpose;

(g) if the Digital Option Type is specified as Basket of Indices, (x) the index level specified as such in the applicable Final Terms or (y) if Index Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 6*(d)*) determined (and subject to adjustment) in accordance with Condition 6 in respect of the relevant Valuation Date specified for that purpose;

(h) if the Digital Option Type is specified as Underlying Equity, (x) the amount specified as such in the applicable Final Terms or (y) if Equity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 7*(d)*) determined (and

subject to adjustment) in accordance with Condition 7 in respect of the relevant Valuation Date specified for that purpose;

(i) if the Digital Option Type is specified as an Basket of Underlying Equities, (x) the amount specified as such in the applicable Final Terms or (y) if Equity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the relevant Valuation Date specified for that purpose;

(j) if the Digital Option Type is specified as Underlying Fund Interest, (x) the amount specified as such in the applicable Final Terms or (y) if Fund Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 11*(e)*) determined in accordance with Condition 11 in respect of the relevant Valuation Date specified for that purpose;

(k) if the Digital Option Type is specified as Basket of Underlying Fund Interests, (x) the amount specified as such in the applicable Final Terms or (y) if Fund Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 11*(e)*) determined in accordance with Condition 11 in respect of the relevant Valuation Date specified for that purpose;

(l) if the Digital Option Type is specified as Inflation, (x) the amount specified as such in the applicable Final Terms or (y) if Inflation Determination is specified as the Digital Option Strike, the Reference Level (as defined in Condition 8*(b)*) determined (and subject to adjustment) in accordance with Condition 8 in respect of the relevant Reference Month specified for that purpose;

(m) if the Digital Option Type is specified as Currency, (x) the amount specified as such in the applicable Final Terms or (y) if Currency Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 9*(c)*) determined (and subject to adjustment) in accordance with Condition 9 in respect of the relevant Valuation Date specified for that purpose.

(Y) Single Fixing – Index

For Index Linked Interest Notes in respect of which Single Fixing – Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for an Interest Period will be the product of:

(1) $\left[\left(\frac{\text{Index}_t}{\text{Denominator}}\right)\% \pm \text{Margin}\right]$; and

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3*(b)*(ii)(Y)(1), the value of (I) the Denominator shall be specified in the applicable Final Terms and (II) $\text{Index}_t$ for the relevant Interest Period will be equal to the Reference Price (as defined in Condition 6*(d)*) determined (and subject to adjustment) in accordance with Condition 6 in respect of $\text{Valuation Date}_t$.

(Z) Asian Fixing – Index

For Index Linked Interest Notes in respect of which Asian Fixing – Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for an Interest Period will be the product of:

(1) $\left[\left\{\frac{\frac{\text{Index}_{t1}+\text{Index}_{t2}+\cdots+\text{Index}_{tn}}{n}}{\text{Denominator}}\right\}\% \pm \text{Margin}\right]$; and

(2) the Interest Multiplier.

For the purpose of Condition (3)*(b)*(ii)(Z)(1), the value of (I) the Denominator shall be specified in the applicable Final Terms and (II) any $Index_t$ for each Interest Period will be equal to the Reference Price (as defined in Condition 6*(d)*), determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation $Date_t$.

"n" means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(iii) *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 and applicable Interest Basis, then, in the event that the Variable Rate of Interest in respect of such Interest Period and applicable Interest Basis determined in accordance with the provisions of Condition 3*(b)*(ii) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period and applicable Interest Basis shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period and applicable Interest Basis, then, in the event that the Variable Rate of Interest in respect of such Interest Period and applicable Interest Basis determined in accordance with the provisions of Condition 3*(b)*(ii) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Where the Variable Rate of Interest for any Interest Period is negative (whether by operation of a negative Margin, negative Interest Multiplier or otherwise), then such Variable Rate of Interest shall be deemed to be zero.

(iv) *Determination of Variable Rate of Interest and calculation of Interest Amounts*

The Calculation Agent will, at or as soon as practicable after each time at which any Rate of Interest is to be determined in respect of an Interest Basis, determine the Variable Rate of Interest for the relevant Interest Period. The Calculation Agent, will notify the Issuer, the Guarantor and the Agent of each applicable Variable Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the Interest Amount in respect of an Interest Basis for the relevant Interest Period by applying the relevant Rate of Interest to:

(A) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes or Inflation Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes or Inflation Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit being rounded upwards. Where the Specified Denomination of a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note, an Inflation Linked Interest Note, a Fund Linked Note, a Commodity Linked Note or a Currency Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

For Notes in respect of which more than one Interest Basis applies, a separate Interest Amount may be payable in accordance with each such Interest Basis.

"**Day Count Fraction**" means, in respect of the calculation of an Interest Amount for any Interest Period in accordance with this Condition 3*(b)* or Condition 3*(c)*:

(i) if "Actual/Actual" or "Actual/Actual (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 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);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) 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 Period End Date falling in a leap year, 366;

(iv) If "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond 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:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$M_1$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$M_2$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$D_1$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case $D_1$ will be 30; and

"$D_2$" 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 $D_1$ is greater than 29, in which case $D_2$ will be 30;

(vi) 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:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$M_1$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$M_2$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$D_1$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case $D_1$ will be 30; and

"$D_2$" 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 $D_2$ will be 30;

(vii) 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:

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

where:

"$Y_1$" is the year, expressed as a number, in which the first day of the Interest Period falls:

"$Y_2$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$M_1$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$M_2$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$D_1$" is the first calendar day, expressed as a number, of the Interest Period, unless

(x) that day is the last day of February or (y) such number would be 31, in which case $D_1$ will be 30; and

"$D_2$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (x) that day is the last day of February but not the Maturity Date or (y) such number would be 31, in which case $D_2$ will be 30; and

(viii) if "1/1" is specified in the applicable Final Terms, 1.

(v) *Notification of Variable Rate of Interest and Interest Amounts*

The Calculation Agent will promptly notify the Agent of each Interest Amount and the Agent will cause each Variable Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor, the other Paying Agents and any stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes, Fund Linked Interest Notes, Commodity Linked Notes, or Currency Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 20 (*Notices*) as soon as possible after their determinations. 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 the Noteholders in accordance with Condition 20 (*Notices*) and each stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes or Currency Linked Interest Notes are for the time being listed.

(vi) 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 Condition 3*(b)* by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*(c) Interest on Range Accrual Notes*

If the Notes are Range Accrual Notes then the provisions of this Condition 3*(c)* shall apply.

(i) *Interest Period End Dates and Interest Payment Dates*

Each Range Accrual Note bears interest from (and including) its Interest Commencement Date. Interest will accrue in respect of each Interest Period (as defined in Condition 3*(f)*) and will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Range Accrual Notes will be determined in the manner specified below.

The Rate of Interest for each Interest Period will, subject as provided below (in particular, under Condition 3*(c)*(iv)), be the rate determined in accordance with the following (the "**Range Accrual Rate of Interest**"):

$$\text{RA Base Rate} \times \left[\frac{N}{A}\right]$$

(iii) *Definitions*

For the purposes of this Condition 3*(c)*:

"**A**" means the actual number of calendar days of days in the relevant Interest Period;

"**Lower Threshold**" means the percentage specified as such in the applicable Final Terms;

"**N**" means the actual number of days in the relevant Interest Period on which the Range Accrual Condition is satisfied, which will occur on any day if:

(a) "Between (Inclusive)" is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than or equal to the Lower Threshold but less than or equal to the Upper Threshold;

(b) "Between (Exclusive)" is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than the Lower Threshold but less than the Upper Threshold;

(c) "Greater Than Lower Threshold" is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than the Lower Threshold;

(d) "Greater Than Or Equal To Lower Threshold" is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than or equal to the Lower Threshold;

(e) "Less Than Lower Threshold" is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is less than the Lower Threshold; and

(f) "Less Than Or Equal To Lower Threshold" is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is less than or equal to the Lower Threshold;

"**RA Base Rate**" means:

(a) if "Fixed Rate" is specified in the applicable Final Terms as the RA Base Rate, the rate (expressed as a percentage) specified as such in the applicable Final Terms;

(b) if "ISDA Determination" is specified in the applicable Final Terms as the RA Base Rate, an amount equal to the Variable Rate of Interest determined in accordance with Condition 3(*b*)(ii)(A) above, for which purpose the Floating Rate Option, Designated Maturity and Reset Date are as specified in the applicable Final Terms; and

(c) if Screen Rate Determination is specified in the applicable Final Terms as the RA Base Rate, an amount equal to the Variable Rate of Interest determined in accordance with Condition 3(*b*)(ii)(B) above, for which purpose the Reference Rate, Interest Determination Date(s) and Relevant Screen Page are as specified in the applicable Final Terms;

"**Reference Spread**" means, the spread of Variable 1 minus Variable 2, to be fixed by the Calculation Agent on each day by reference to information published on the Relevant Screen Page(s) specified in the applicable Final Terms, except that (i) if any day is not a Business Day, the fixing for the immediately preceding Business Day shall be used and (ii) the last fixing of Variable 1 and Variable 2 in each Interest Period will be the fifth Business Day prior to the Interest Payment Date falling at the end of that Interest Period and this fixing will be used for the remaining days of the Interest Period (whether or not they are Business Days);

"**Upper Threshold**" means the percentage specified as such in the applicable Final Terms;

"**Variable 1**" means the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii), for which purpose only (x) the Floating Rate Option, Designated Maturity and Reset Date (where ISDA Determination applies) or the Reference Rate, Interest Determination Date(s) and Relevant Screen Rate (where Screen Rate Determination applies) are as specified in the applicable Final Terms, (y) the Interest Multiplier is 100 per cent. and (2) there is no Margin; and

"**Variable 2**" means, (a) if applicable, the Variable Rate of Interest determined in accordance with Condition 3*(b)*(ii), for which purpose only (x) the Floating Rate Option, Designated Maturity and Reset Date (where ISDA Determination applies) or the Reference Rate, Interest Determination Date(s) and Relevant Screen Rate (where Screen Rate Determination applies) are as specified in the applicable Final Terms, (y) the Interest Multiplier is 100 per cent. and (z) there is no Margin and (b) if not applicable, zero.

(iv) *Minimum Range Accrual Rate of Interest and/or Maximum Range Accrual Rate of Interest*

If the applicable Final Terms specifies a Minimum Range Accrual Rate of Interest for any Interest Period, then, in the event that the Range Accrual Rate of Interest in respect of such Interest Period determined in accordance with Condition 3*(c)*(ii) is less than such Minimum Range Accrual Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Range Accrual Rate of Interest. If the applicable Final Terms specifies a Maximum Range Accrual Rate of Interest for any Interest Period, then, in the event that the Range Accrual Rate of Interest in respect of such Interest Period determined in accordance with Condition 3*(c)*(ii) is greater than such Maximum Range Accrual Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Range Accrual Rate of Interest.

(v) *Determination of Range Accrual Rate of Interest and calculation of Interest Amounts*

The Calculation Agent, will, at or as soon as practicable after each time at which the Range Accrual Rate of Interest is to be determined, determine the Range Accrual Rate of Interest for the relevant Interest Period. The Calculation Agent will notify the Issuer, the Guarantor and the Agent of the Range Accrual Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the Interest Amount for the Range Accrual Notes and relevant Interest Period (which may, for the avoidance of doubt, be in addition to any other Interest Amount determined pursuant to this Condition 3) by applying the Range Accrual Rate of Interest to:

(A) in the case of Range Accrual Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Range Accrual Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Range Accrual Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

Where the Specified Denomination of a Range Accrual Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

The Calculation Agent will notify the Agent of the Interest Amount payable on the Range Accrual Notes in respect of each Calculation Amount for the relevant Interest Period as soon as practicable after calculating the same.

"**Day Count Fraction**" shall have the meaning given to such term in Condition 3*(b)*(iv).

(vi) *Notification of Range Accrual Rate of Interest and Interest Amounts*

The Calculation Agent will promptly notify the Agent of each Interest Amount and the Agent will cause the Range Accrual Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor, the other Paying Agents, the Noteholders and any stock exchange on which the relevant Range Accrual Notes are for the time being listed and notice thereof to be published in accordance with Condition 20 (*Notices*) as soon as possible after their determination. 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 and each stock exchange on which the relevant Range Accrual Notes are for the time being listed and to the Noteholders in accordance with Condition 20 (*Notices*).

(vii) *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 Condition 3*(c)* by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*(d) Interest on Partly Paid Notes*

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

*(e) Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless either, upon due presentation thereof (if applicable), payment of principal is improperly withheld or refused. In such event, interest

will continue to accrue until whichever is the earlier of: (1) the date on which all amounts due in respect of such Note have been paid; and (2) five days after the date on which the full amount of the moneys payable on the Notes has been received by the Agent and/or all assets in respect of such Note have been received by any agent appointed by the Issuer to deliver such assets to Noteholders and notice to that effect has been given to the Noteholders in accordance with Condition 20 (*Notices*).

PROVIDED THAT if the Notes become redeemable pursuant to Condition 12(*b*), Condition 12(*c*) or Condition 12(*d*); and

(A) "Accrual of Interest upon Credit Event" is specified as Not Applicable in the applicable Final Terms, each Note shall cease to bear interest from the Interest Period End Date immediately preceding the Credit Event Determination Date (as defined in Condition 12*(j)*) or, if the Credit Event Determination Date is an Interest Period End Date such Interest Period End Date or, if the Credit Event Determination Date, falls prior to the first Interest Period End Date, no interest shall accrue on the Notes; or

(B) "Accrual of Interest upon Credit Event" is specified as being Applicable in the applicable Final Terms, each Note shall cease to bear interest from the Credit Event Determination Date; and

PROVIDED FURTHER THAT, if

(A) Condition 12*(d)*, Condition 12*(e)* or Condition 12*(f)* applies in respect of the Notes and, in the case of Condition 12*(d)*, a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Condition 12*(e)*, a Failure to Pay has not occurred on or prior to the Grace Period Extension Date or, in the case of Condition 12*(f)*, a Credit Event has not occurred prior to the DC Cut-off Date, as the case may be; and/or

(B) Condition 12*(g)* applies in respect of the Notes and the Maturity Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, is postponed as provided therein,

then interest will accrue as provided in Condition 12*(d)*, Condition 12*(e)*, Condition 12*(f)* or Condition 12*(g)*, as the case may be.

For the avoidance of doubt, where any Autocall Redemption Amount and/or Interest Amount and/or Redemption Amount in respect of Index Linked Notes, Equity Linked Notes, Commodity Linked Notes, Fund Linked Notes, Currency Linked Notes or Autocall Notes is postponed as a result of the occurrence of a Disrupted Day (in each case in accordance with, and as defined in, Conditions 6, 7, 10, 11, 9 and 5(*e*) respectively), no Interest Amount or other sum shall be payable in respect of the postponement of the payment thereof.

*(f) General definitions applicable to interest-bearing Notes*

For the purposes of these Conditions:

"**Interest Amount**" means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the amount of interest payable in respect of an Interest Period and such Interest Basis;

"**Interest Commencement Date**" means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the Interest Commencement Date specified in the applicable Final Terms with respect to such Interest Basis;

"**Interest Determination Date**" means (i) each date specified as such in the applicable Final Terms;(ii) where "Standard IDD" is specified in the applicable Final Terms (a) if the specified Relevant Screen Page is a LIBOR (other than euro LIBOR or Sterling LIBOR) rate, the second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each relevant Interest Period; (b) if the specified Relevant Screen Page is a Sterling LIBOR rate, the first day of each Interest Period; (c) if the specified Relevant Screen Page is a EURIBOR or euro LIBOR rate, the second day on which the TARGET2 System is open prior to the start of each Interest Period; and (d) if the specified Relevant Screen Page is a CMS rate, the second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Frankfurt prior to the start of each Interest Period; or (iii) where "Arrears IDD" is specified in the applicable Final Terms, the first day of

the next following Interest Period or, in the case of the final Interest Period, the Scheduled Maturity Date;

"**Interest Payment Date**" means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the Interest Payment Date(s) in each year specified in the applicable Final Terms with respect to such Interest Basis;

"**Interest Period**" means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the period from (and including) an Interest Period End Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Period End Date;

"**Interest Period End Date**" means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the Interest Period End Date(s) in each year specified in the applicable Final Terms with respect to such Interest Basis;

"**Reference Rate**" means the relevant reference rate specified as such in the applicable Final Terms or, if such reference rate ceases to be calculated and/or published, any successor or replacement rate therefor, in each case as determined by the Calculation Agent acting in good faith;

"**Relevant Screen Page**" means the relevant page specified as such in the applicable Final Terms or any successor display page, other published source, information vendor or provider that has been officially designated by the official sponsor of the original page or source (or, failing which, the relevant information vendor or provider); and

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

*(g) Business Day Conventions and Business Days*

(i) If a Business Day Convention is specified in the applicable Final Terms in relation to any date (including, for the avoidance of doubt, any Maturity Date) and (x) if there is no numerically corresponding day in the calendar month in which such date should occur or (y) if such date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is: in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Commodity Linked Interest Notes, Inflation Linked Interest Notes or Currency Linked Interest Notes only, the Floating Rate Convention, the relevant Interest Period End 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 Period End Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Period End Date shall be the last Business Day in the month;

(ii) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day;

(iii) the Modified Following Business Day Convention, such 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 date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding 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 each Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) 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 or Wellington, respectively), or (2) in relation to any sum payable in euro, a day on which the TransEuropean Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

## 4 Payments

(a) *Method of Payment*

Subject as provided below:

(i) payments in a Specified Currency other than euro 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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Wellington, respectively); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

All payments will be subject in all cases to any fiscal or other laws, regulations or directives applicable thereto in the place of payment or other laws and regulations to which the Issuer, the Guarantor or its Paying Agents agree to be subject and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or directives or agreements, but without prejudice to the provisions of Condition 14*(a)* (as applicable).

Any references in these Conditions to payment of any sums in respect of the Notes shall be deemed to include, as applicable, delivery of assets if so provided in the applicable Final Terms and references to paid and payable shall be construed accordingly. The method of delivery of any assets and the liability for the costs and charges arising from such delivery will be as specified in the applicable Final Terms.

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

Payments of principal in respect of Definitive Notes will (subject as provided below) be made in the manner provided in paragraph *(a)* above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Notes, and payments of Interest Amounts in respect of Definitive Notes 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 Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph *(a)* above against presentation and surrender (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 paragraph *(a)* above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form 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 10 years after the Relevant Date (as defined in Condition 14*(a)*) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 12) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Range Accrual Note, Credit Linked Note, Commodity Linked Note, Index Linked Note, Equity Linked Note, Inflation Linked Note, Currency Linked Note, Fund Linked Note or Long Maturity Note in definitive form becomes due and repayable prior to its Maturity Date, 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 Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount at issue is less than the aggregate Interest Amount payable thereon (provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate Interest Amount remaining to be paid after that date is less than the nominal amount of the relevant Definitive Note).

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

(c) *Payments in respect of Global Notes*

Payments of principal and Interest Amounts (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream Luxembourg, as applicable.

(d) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or Interest Amounts in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or Interest Amounts in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and Interest Amounts on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and Interest Amounts 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 Amounts in U.S. dollars; and

(iii) 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.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further Interest Amounts or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 15 (*Prescription*)) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in:

(A) in the case of Definitive Notes only, the relevant place of presentation; and

(B) each Additional Financial Centre specified in the applicable Final Terms; and

(C) a day on which the TARGET2 System is open, unless the applicable Final Terms specify "TARGET Not Required"; and

(ii) where a sum is payable in a Specified Currency, 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 such Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively) unless the applicable Final Terms specify "Principal Financial Centre Not Required".

(f) *Interpretation of Principal and Interest (Amount(s))*

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

(i) any additional amounts which may be payable under Condition 14*(a)* as a result of a withholding or deduction having made in respect of a principal payment under the Notes;

(ii) the Final Redemption Amount;

(iii) the Early Redemption Amount;

(iv) the Optional Redemption Amount(s) (if any);

(v) in relation to Credit Linked Notes, the Credit Event Redemption Amount (if any);

(vi) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vii) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5*(f)*(ii)); and

(viii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest or Interest Amount(s) in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to the Interest Amounts under Condition 14*(a)*.

## 5 Redemption and Purchase

(a) *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer on the Maturity Date at an amount in the relevant Specified Currency equal to:

(i) in the case of Fixed Redemption Notes, par; or

(ii) in the case of Commodity Linked Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes, Inflation Linked Redemption Notes, Currency Linked Redemption Notes or Credit Linked Notes the applicable Redemption Amount determined in accordance

with the provisions of Condition 6, Condition 7, Condition 8. Condition 9, Condition 10, Condition 11 or Condition 12, as applicable.

(b) *Redemption for Tax Reasons*

If Condition 14*(a)* is specified as applicable in the applicable Final Terms, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are not Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Inflation Linked Interest Notes and/or Range Accrual Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Fund Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Inflation Linked Interest Notes and/or Range Accrual Notes), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 20 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 14*(a)* or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in either case as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

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 pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 5*(b)* will be redeemed at the Early Redemption Amount referred to in Condition 5*(f)* below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

If Condition 14*(b)* is specified as applicable in the applicable Final Terms, this Condition 5*(b)* shall not apply to the Notes.

(c) *Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, giving the Issuer an option to redeem, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice (or such other Issuer Call Period of days' notice as is specified in the applicable Final Terms) to the Noteholders in accordance with Condition 20 (*Notices*); and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes then outstanding on any Optional Redemption Date (which, if the Notes are due to bear interest, will be an Interest Payment Date) and at their Optional Redemption Amount specified in the applicable Final Terms together with accrued interest (if any). Where the Optional Redemption Date does not fall on an Interest Payment Date, and must fall on a Business Day, such Business Day shall be subject to the Business Day Convention and Additional Business Day Centre(s) specified in the applicable Final terms.

(d) *Redemption at the Option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon not less than 80 per cent. of the holders of the Notes giving to the Issuer in accordance with Condition 20 (*Notices*) not less than 15 nor more than 30 days' notice (or such other Investor Put Period of days' of notice as is specified in the applicable Final Terms), the Issuer will, upon the expiry of such notice, redeem, all the Notes on the Optional Redemption Date (which, if the Notes are due to bear interest, will be an Interest Payment Date) and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If the Notes are in definitive form and held outside Euroclear and Clearstream, Luxembourg and are redeemed pursuant to this Condition 5(d), the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by 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 (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 16.

(e) *Autocall Early Redemption*

Where the Autocall Early Redemption provisions are specified to be applicable in the applicable Final Terms ("**Autocall Notes**"), if the Autocall Condition is satisfied in respect of any Autocall Observation Date:

(i) the Issuer shall provide notice of such event to the Noteholders in accordance with Condition 20 (*Notices*) as soon as reasonably practicable following the date on which the Autocall Condition is determined to have been satisfied (an "**Autocall Early Redemption Notice**");

(ii) such Autocall Early Redemption Notice shall specify the date on which all of the Notes outstanding shall be redeemed early (which, will be the next following Interest Payment Date that falls not less than five Business Days following the date on which the Autocall Early Redemption Notice is provided or, if no such date exists, the Maturity Date) at their Autocall Redemption Amount (together with accrued interest (if any)); and

(iii) for the avoidance of doubt, if the determination of the Autocall Variable or Autocall Strike is postponed as a result of the occurrence of a Disrupted Day (as defined in Conditions 6*(d)*, 7*(d)* or 9*(c)*, depending on the relevant Autocall Type specified in the applicable Final Terms), then the Autocall Redemption Amount shall be paid without any Interest Amount or other sum in respect of the postponement thereof.

For the purposes of this Condition 5*(e)*:

(I) the "Autocall Condition" shall be satisfied with respect to an Autocall Observation Date if:

(a) "Greater Than" is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is greater than the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms;

(b) "Less Than" is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is less than the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms;

(c) "Greater Than Or Equal To" is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is greater than or equal to the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms; and

(d) "Less Than Or Equal To" is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is less than or equal to the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms.

(II) the "**Autocall Redemption Amount**" means an amount equal to:

(a) the amount per Calculation Amount specified as such in the applicable Final Terms for a redemption occurring within a specified period of time; or

(b) if no amount is specified in the applicable Final Terms and the Autocall Type is specified as Index, Basket of Indices, Underlying Equity or Basket of Underlying Equities an amount determined by the Calculation Agent equal to:

$$MAX\left[Floor\ \%; \left\{MIN\left(Cap\ \%; \frac{Reference\ Item_{final}}{SF\ x\ Reference\ Item_{initial}}\ x\ AM\right)\right\}\right] x\ Calculation\ Amount$$

; or

(c) if no amount is specified in the applicable Final Terms and the Autocall Type is specified as Currency an amount determined by the Calculation Agent equal to:

$$MAX\left[Floor\ \%; \left\{MIN\left(Cap\ \%; \frac{Reference\ Item_{initial}}{SF\ x\ Reference\ Item_{final}}\ x\ AM\right)\right\}\right]$$
$$x\ Calculation\ Amount$$

where the value of:

(v) "Reference $Item_{initial}$" shall be:

(i) the index level or amount specified as such for such Autocall Observation Date in the applicable Final Terms; or

(ii) if Reference $Item_{initial}$ Determination is specified as being applicable in the applicable Final Terms, the Autocall Reference Price in respect of the Valuation Date specified for such Autocall Observation Date; or

(iii) if Autocall Reference $Item_{initial}$ Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in respect of the Valuation $Dates_t$ specified for such Autocall Observation Date;

(w) "Reference $Item_{final}$" shall be:

(i) the index level or amount specified as such in the applicable Final Terms; or

(ii) if Reference $Item_{final}$ Determination is specified as being applicable in the applicable Final Terms, the Autocall Reference Price in respect of the Valuation Date specified for such Autocall Observation Date; or

(iii) if Autocall Reference $Item_{final}$ Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in respect of the Valuation $Dates_t$ specified for such Autocall Observation Date;

(x) "AM" means the Autocall Multiplier specified in the applicable Final Terms;

(y) "Cap %" shall be as specified in the applicable Final Terms; and

(z) "Floor %" shall be as specified in the applicable Final Terms,

and the Autocall Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards, *provided* that where Condition 5*(e)*(iii)(II)(b) or (c) applies in the case of Autocall Notes which are represented by a Global Note, the references to "Calculation Amount" shall be deemed

to refer to the aggregate outstanding nominal amount of the Autocall Notes represented by such Global Note .

(III) the "Autocall Reference Price" with respect to any specified Valuation Date means:

(a) if the Autocall Type is specified as Index, the Reference Price (as defined in Condition 6*(d)* determined (and subject to adjustment) in accordance with Condition 6 in respect of such Valuation Date;

(b) if the Autocall Type is specified as Basket of Indices, the Reference Price (as defined in Condition 6(*d*) determined (and subject to adjustment) in accordance with Condition 6 in respect of such Valuation Date;

(c) if the Autocall Type is specified as Underlying Equity, the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of such Valuation Date;

(d) if the Autocall Type is specified as Basket of Underlying Equities, the Reference Price (as defined in Condition 7*(d)*) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date; or

(e) if the Autocall Type is specified as Currency, the Reference Price (as defined in Condition 9*(c)*) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date.

(IV) the "Autocall Variable" with respect to an Autocall Observation Date means:

(a) the Autocall Reference Price in respect of the Valuation Date specified in the Autocall Variable paragraph of the applicable Final Terms for such Autocall Observation Date; or

(b) where Autocall Variable Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in respect of the Valuation $Dates_t$ specified in the Autocall Variable paragraph of the applicable Final Terms for such Autocall Observation Date.

(V) the "Autocall Strike" with respect to an Autocall Observation Date means:

(a) if Autocall Strike Amount is specified as being applicable in the applicable Final Terms, the index level or amount specified as such in the applicable Final Terms; or

(b) if Autocall Strike Determination is specified as being applicable in the applicable Final Terms, the Autocall Reference Price in respect of the Valuation Date specified for such Autocall Observation Date; or

(c) if Autocall Strike Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in respect of the Valuation $Dates_t$ specified for such Autocall Observation Date.

(VI) the "Average Autocall Reference Price" with respect to an Autocall Observation Date and:

(a) an Autocall Variable where Autocall Variable Averaging is specified as being applicable; and/or

(b) an Autocall Strike where Autocall Strike Averaging is specified as being applicable; and/or

(c) a Reference $Item_{initial}$ where Autocall Reference $Item_{initial}$ Averaging is specified as being applicable; and/or

(d) a Reference $Item_{final}$ where Autocall Reference $Item_{final}$ Averaging is specified as being applicable,

in each case within the applicable Final Terms, shall be equal to the arithmetic average of the relevant Autocall Reference Prices determined in respect of each Valuation Date$_t$ specified for such Autocall Observation Date as follows:

$$\left[\frac{(Autocall\ Reference\ Price_{t1} + Autocall\ Reference\ Price_{t2} + \ldots + Autocall\ Reference\ Price_{tn})}{n}\right]$$

(VII) "**SF**" means the Scaling Factor specified in the applicable Final Terms.

(f) *Early Redemption Amounts*

For the purpose of these Conditions, the Early Redemption Amount in respect of any Note shall be, in respect of each nominal amount of such Notes equal to the Calculation Amount, such amount(s) calculated by the Calculation Agent in its sole discretion, acting reasonably, by determining:

(i) in respect of a Note other than a Zero Coupon Note or a Note redeeming on its Optional Redemption Date in accordance with Condition 5*(c)* or an Autocall Note redeeming early as a result of the Autocall Condition being satisfied, if:

(A) a Fixed Early Redemption Amount or Fixed Early Redemption Percentage is specified in the applicable Final Terms, such amount or an amount equal to the product of the Calculation Amount and such Fixed Early Redemption Percentage, as the case may be, together with accrued but unpaid interest if "Including Interest" is specified in the applicable Final Terms; or

(B) no Fixed Early Redemption Amount or Fixed Early Redemption Percentage is specified in the applicable Final Terms, the fair market value of such Notes on the date of redemption, including accrued interest (if any), adjusted to account fully for any losses, expenses and costs to the Issuer (or any of its Affiliates) of unwinding any underlying or related hedging and funding arrangements, all as determined by the Calculation Agent. For the purposes hereof: (I) the references to "together (if appropriate) with interest accrued to (but excluding) the date of redemption" shall be deemed to be deleted from Condition 5*(b)*; and (II) the references to "together with accrued interest thereon to the date of repayment", shall be deemed to be deleted from Condition 16 (*Events of Default*); or

(ii) in respect of a Zero Coupon Note, subject to Condition 5*(m)* below, the Amortised Face Amount which on the relevant date of early redemption shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield applied on the Amortisation Yield Compounding Basis specified in the applicable Final Terms; or

(iii) in respect of a Note redeeming early on its Optional Redemption Date in accordance with Condition 5*(c)* or 5*(d)*, at the relevant Optional Redemption Amount determined pursuant to Condition 5*(c)* or 5*(d)* above, as applicable; or

(iv) in respect of a Note redeeming early as a result of the Autocall Condition being satisfied, at the relevant Autocall Redemption Amount determined pursuant to Condition 5*(e)* above.

(g) *Instalments*

Instalment Notes 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 Condition 5(*f*) above.

(h) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 5.

(i) *Illegality*

In the event that the Calculation Agent determines that the performance of the Issuer's obligations under the Notes or, as the case may be, the Guarantor's obligations under the Guarantee, or that any arrangements made to hedge the Issuer's obligations under the Notes, 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, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than 10 nor more than 30 days' notice to Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(j) *Cessation of Reference Rate*

In the event that the Calculation Agent determines that a Reference Rate for the time being that is required to make any calculations on the Notes has ceased to be calculated and/or published and no successor or replacement rate has been established therefor, the Issuer having given not less than 10 nor more than 30 days' notice to Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(k) *Purchases*

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Notes (provided that, in the case of Definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to the Agent for cancellation.

(l) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 5*(k)* (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(m) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5*(a)*, *(b)*, *(c)*, *(d)* or *(e)* above or upon its becoming due and repayable as provided in Condition 16 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5*(f)*(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid to the Noteholder; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 20 (*Notices*).

## 6 Index Linked Notes

If the Notes are Index Linked Interest Notes and/or Index Linked Redemption Notes then the provisions of this Condition 6 apply, as applicable, as completed by the applicable Final Terms.

Unless Index Linked Notes are previously redeemed or purchased and cancelled, if the determination of (I) an Interest Amount (in the case of Index Linked Interest Notes); or (II) the Redemption Amount (in the case of Index Linked Redemption Notes) is postponed as a result of the occurrence of a Disrupted Day (as defined in Condition 6*(d)* below) which prevents a Valuation Date falling on its corresponding Scheduled Valuation Date, then payment of any such amount (the "**Index Linked Affected Amount**") shall be postponed to the date which is the Index Linked Interest Payment Extension Number (as specified in the applicable Final Terms) of Business Days following the latest Valuation Date that is necessary to determine such Index Linked

Affected Amount, and such Index Linked Affected Amount shall be paid without any Interest Amount or other sum payable in respect of the postponement of the payment thereof.

(a) *Redemption of Index Linked Redemption Notes*

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

(b) *Adjustments to an Index*

(i) *Successor Index Sponsor Calculates and Reports of an Index*

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

(ii) *Modification and Cessation of Calculation of an Index*

If (A) on or prior to a Valuation 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 or contracts and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**"), or (B) on a Valuation Date the Index Sponsor or (if applicable) the Successor Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and, together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then the Issuer may take the action described in (a) or (b) below:

(a) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Index Linked Notes and, if so, to either (I) in relation to any Valuation Date, calculate the Reference Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event or (II) substitute that Index with a replacement index using, in the determination of the Calculation Agent, the same or a substantially similar method of calculation as used in the calculation of that Index and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution; or

(b) give notice to the Noteholders in accordance with Condition 20 (*Notices*) and redeem all, but not some only, of the Index Linked Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

(iii) *Correction of an Index Level*

If Correction of Index Levels is specified to be applicable in the applicable Final Terms, with the exception of any correction published after the Correction Cut-Off Date specified in the applicable Final Terms, if the official closing level of an Index published on a Valuation Date is subsequently corrected and the correction (the "**Corrected Index Level**") is published by the Index Sponsor or (if applicable) the Successor Index Sponsor within one Settlement Cycle after the original publication, (A) the Issuer shall give notice as soon as practicable of that correction to the Noteholders in accordance with Condition 20 (*Notices*), (B) such Corrected Index Level shall be deemed to be the closing level for such Index for that Valuation Date and (C) the Calculation Agent shall use such Corrected Index Level in determining the relevant Interest Amount and/or Redemption Amount. Corrections published after the Correction Cut-Off Date

will be disregarded by the Calculation Agent for the purposes of determining the relevant Interest Amount and/or Redemption Amount.

(iv) *Notice*

Upon the occurrence of an Index Adjustment Event, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 20 (*Notices*) giving details of the action proposed to be taken in relation thereto.

(c) *Consequences of Disrupted Days: Averaging Payments*

(i) *Disruption Fallback Provisions*

(a) Where the Notes are specified in the applicable Final Terms to relate to a single Index, the Calculation Agent determines that any Valuation Date in respect of an Averaging Payment is a Disrupted Day, then:

(i) if "Omission" is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Averaging Payment in respect of such Valuation Date, provided that if through the operation of this provision there would not be any Valuation Date in respect of such Averaging Payment, then the sole Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date;

(ii) if "Postponement" is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 6*(c)* shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or

(iii) if "Modified Postponement" is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Valid Date following the Scheduled Valuation Date and (B) the Valuation Cut-Off Date, irrespective of whether the Valuation Cut-Off Date falls on a day that already is or is deemed to be a Valuation Date.

(b) Where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, if the Calculation Agent determines that any Valuation Date in respect of a Valuation Date for an Averaging Payment is a Disrupted Day in respect of any Basket Component, then:

(i) if "Omission" is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a Valuation Date in respect of any Basket Component in respect of such Reference Date, provided that, if through the operation of this provision there would not be any Valuation Date in respect of such Valuation Date, then:

(A) the sole Valuation Date for each Basket Component in respect of which the final Valuation Date is not a Disrupted Day shall be the final Valuation Date; and

(B) the sole Valuation Date for each Basket Component in respect of which the final Valuation Date is a Disrupted Day (each such Underlying Equity, an "**Affected Basket Component**") shall be the earlier of (I) the first Scheduled Trading Day following the final Valuation Date that is not a Disrupted Day in respect of such Affected Basket Component and (II) the Valuation Cut-Off Date for such Affected Basket Component;

(ii) if "Postponement" is specified to be applicable in the applicable Final Terms, then:

(A) the Valuation Date for each Basket Component in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and

(B) the Valuation Date for each Basket Component in respect of which the Valuation Date is a Disrupted Day (each such Basket Component, an "**Affected Basket Component**") shall be the earlier of (I) the first Scheduled Trading Day following the Valuation Date that is not a Disrupted Day in respect of such Affected Basket Component and (II) the Valuation Cut-Off Date for such Affected Basket Component. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 6(*c*) shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or

(iii) if "Modified Postponement" is specified to be applicable in the applicable Final Terms then:

(A) the Valuation Date for each Basket Component in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and

(B) the Valuation Date for each Basket Component in respect of which the Valuation Date is a Disrupted Day (each such Basket Component, an "**Affected Basket Component**") shall be the earlier of (I) the first Valid Date following the Valuation Date in respect of such Affected Basket Component and (II) the Valuation Cut-Off Date for such Affected Basket Component, irrespective of whether the Valuation Date falls on a day that already is or is deemed to be a Valuation Date.

(ii) *Determination of Index Levels*

If, in respect of any Index, a Valuation Date falls on the relevant Valuation Cut-Off Date pursuant to Condition 6*(c)*(i) above:

(a) if such Valuation Cut-Off Date is not a Disrupted Day for such Index, the Calculation Agent shall determine the Index Level of such Index as at the Reference Time on such Valuation Reference Cut-Off Date; and/or

(b) if such Valuation Cut-Off Date is a Disrupted Day for such Index, the Calculation Agent shall determine the Index Level for such Index as at the Reference Time on the Valuation Date in accordance with the formula for and method of calculating the Index Level of such Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Reference Time on the Valuation Cut-Off Date of each security comprised in such Index (or, if an event giving rise to a Disrupted Day (as defined in Condition 7 (*Equity Linked Notes*) in relation to a share) has occurred in respect of the relevant security on the Valuation Cut-Off Date, its good faith estimate of the value for the relevant security as of the Reference Time on the Valuation Cut-Off Date).

(iii) Notice of Disrupted Day

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

(d) *Definitions applicable to Index Linked Notes*

For the purposes of this Condition 6:

"**Averaging Payment**" means any payment relating to:

(a) Index Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3*(b)*(ii)(Q), the Asian Option – Index/Basket of Indices Interest Variable Option;

(b) Index Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3*(b)*(ii)(Z), the Asian Fixing – Index Interest Variable Option;

(c) Index Linked Redemption Notes where sub-paragraph (x)(iii) or sub-paragraph (y)(iii) of the definition of "Redemption Amount" below is applicable;

(d) Index Linked Autocall Notes where averaging is applicable to the calculation of the Autocall Redemption Amount under Condition 5*(e)*(iii)(IV)(b), 5*(e)*(iii)(V)(c) or 5*(e)*(iii)(VI); and

(e) any other amounts payable on Index Linked Notes to which averaging relates.

"**Basket Component**" means, in respect of a Basket of Indices, each Index comprising such Basket.

"**Clearance System**" means, in respect of a security underlying an Index, the principal domestic clearance system customarily used for settling trades in such security.

"**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 an event which results in such Clearance System being unable to clear the transfer of a relevant security, would have been) open for the acceptance and execution of settlement instructions.

"**Disrupted Day**" means:

(a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred; or

(b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index, (ii) any Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred.

"**Exchange**" means:

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

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

"**Exchange Business Day**" means:

(a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or

(b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) each Related Exchange is open for trading during its regular trading session, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

"**Indices**" and "**Index**" means, subject to adjustment in accordance with Condition 6*(b)*, the index specified in the applicable Final Terms and related expressions shall be construed accordingly.

"**Index Linked Notes**" means Index Linked Interest Notes and Index Linked Redemption Notes.

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

"**Market Disruption Event**" means:

(a) in respect of an Index other than a Designated Multi-Exchange Index:

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

(A) 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:

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

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

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

which in either case the Calculation Agent determines is material; or

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

(b) in respect of a Designated Multi-Exchange Index either:

(i) 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 the relevant Valuation Time in respect of the Exchange in respect of such Component Security;

(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 in respect of such Component Security; or

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

(D) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, comprises 20 per cent. or more of the level of the Index; OR

(ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (A) a Trading Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange, (B) an Exchange Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange or (C) an Early Closure, in each case in respect of such futures or options contracts and which the Calculation Agent determines is material.

As used above:

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

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

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

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

"**Redemption Amount**" means, in relation to an Index Linked Redemption Note, an amount calculated by the Calculation Agent equal to:

$$Calculation\ Amount \times MAX\left[Floor\ \%; \left\{MIN\left(Cap\ \%; 1 + \left[IRM\ x\ \frac{Reference\ Item_{final} - (SF\ \times Reference\ Item_{Initial})}{Reference\ Item_{initial}}\right]\right)\right\}\right]$$

where the value of:

(u) Floor % shall be specified in the applicable Final Terms;

(v) Cap % shall be specified in the applicable Final Terms;

(w) "**IRM**" means the Index Redemption Multiplier specified in the applicable Final Terms;

(x) Reference $\text{Item}_{\text{initial}}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $\text{Item}_{\text{initial}}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 6*(d)*) determined (and subject to adjustment) in accordance with this Condition 6 in respect of the Valuation $\text{Date}_t$ specified for this purpose in the applicable Final Terms; or

(iii) if Reference $\text{Item}_{\text{initial}}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 6*(d)*) determined (and subject to adjustment) in accordance with this Condition 6 in respect of each Valuation $\text{Date}_t$ specified for this purpose in the applicable Final Terms;

(y) Reference $\text{Item}_{\text{final}}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $\text{Item}_{\text{final}}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 6*(d)*) determined (and subject to adjustment) in accordance with this Condition 6 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $\text{Item}_{\text{final}}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 6*(d)*) determined (and subject to adjustment) in accordance with this Condition 6 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and

(z) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Index Linked Redemption Notes which are represented by a Global Note, the reference to "Calculation Amount" shall be deemed to refer to the aggregate outstanding nominal amount of the Index Linked Redemption Notes represented by such Global Note. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

"**Reference Price**" means, in relation to a Valuation Date:

(a) where the Notes are specified in the applicable Final Terms to relate to a single Index, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on that Valuation Date (as defined below), without regard to any subsequently published correction; and

(b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the sum of the values calculated for each Index as the official closing level of each Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on that Valuation Date, without regard to any subsequently published correction, multiplied by the relevant Multiplier specified in the applicable Final Terms.

"**Related Exchange**" means, in relation to an Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating

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

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

"**Scheduled Trading Day**" means:

(a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions; or

(b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, (i) any day on which the Index Sponsor is scheduled to publish the level of that Index and (ii) each Related Exchange is scheduled to be open for trading for its regular trading session.

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

"**Settlement Cycle**" means, in respect of an 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).

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

"**Valuation Cut-Off Date**" means the eighth Scheduled Trading Day following the Scheduled Valuation Date.

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

(a) If such day is a Disrupted Day which does not relate to an Averaging Payment:

(i) where the Notes are specified in the applicable Final Terms to relate to a single Index, that Valuation Date shall be the earlier of (i) first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date (A) the Valuation Cut-Off Date shall be deemed to be that Valuation Date notwithstanding the fact that such day is a Disrupted Day and (B) the Calculation Agent shall determine the Reference Price by determining the level of the Index as of the Valuation Time on the Valuation Cut-Off Date 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 Valuation Cut-Off Date of each security comprised in the Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the Valuation Cut-Off Date, its good faith estimate of the value for the relevant security as of the Valuation Time on the Valuation Cut-Off Date); or

(ii) where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, that Valuation Date for each Basket Component not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and that Valuation Date for each Basket Component affected by the occurrence of a Disrupted Day (each an "**Affected Basket Component**") shall be earlier of (i) the first succeeding Scheduled

Trading Day that is not a Disrupted Day relating to the Affected Basket Component; and (ii) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date (i) the Calculation Agent shall, where applicable, determine the Reference Price using, in relation to the Affected Basket Component, the level of that Index determined in the manner set out in the applicable Final Terms or, if not set out or if not so practicable, using the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Valuation Cut-Off Date of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

(b) If such day is a Disrupted Day and relates to an Averaging Payment, then the Valuation Date shall be such date as is determined in accordance with Condition 6*(d)* above.

"**Valuation Time**" means:

(a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or

(b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, (i) for the purposes of determining whether a Market Disruption Event has occurred: (A) in respect of a Component Security, the Scheduled Closing Time on the relevant Exchange and (B) in respect of any options contracts or futures contracts on the Index, the close of trading on the relevant 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. If, for the purposes of (i) above, the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## 7 Equity Linked Notes

If the Notes are Equity Linked Interest Notes and/or Equity Linked Redemption Notes then the provisions of this Condition 7 apply, as applicable, as completed by the applicable Final Terms.

Unless Equity Linked Notes are previously redeemed or purchased and cancelled, if the determination of (I) an Interest Amount (in the case of Equity Linked Interest Notes); or (II) the Redemption Amount (in the case of Equity Linked Redemption Notes) is postponed as a result of the occurrence of a Disrupted Day (as defined in Condition 7*(d)* below) which prevents a Valuation Date falling on its corresponding Scheduled Valuation Date, then payment of any such amount (the "**Equity Linked Affected Amount**") shall be postponed to the date which is the Equity Linked Interest Payment Extension Number (as specified in the applicable Final Terms) of Business Days following the latest Valuation Date that is necessary to determine such Equity Linked Affected Amount, and such Equity Linked Affected Amount shall be paid without any Interest Amount or other sum payable in respect of the postponement of the payment thereof.

(a) *Redemption of Equity Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled as specified below, each nominal amount of Equity Linked Redemption Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer at its Redemption Amount (as defined below) on the Maturity Date.

(b) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency, Correction of Share Prices, Adjustments for Equity Linked Notes*

(i) If Potential Adjustment Events are specified to be applicable in the applicable Final Terms, then following the declaration by an Equity Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the Underlying Equity or Equities and, if so, will (a) either (A) make the corresponding adjustment, if any, to any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Reference $\text{Item}_{\text{initial}}$ and/or the Reference $\text{Item}_{\text{final}}$ and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying Equity) or (B) substitute the Underlying Equity the subject of the Potential Adjustment Event with a replacement equity security selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution and (b) determine the effective date of that adjustment or substitution, as the case may be. With respect to an adjustment pursuant to (A) above, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Underlying Equity or Equities traded on that options exchange.

Upon making any such adjustment, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*), stating the adjustment to the relevant Interest Amount and/or Redemption Amount and/or, the Reference $\text{Item}_{\text{initial}}$ and/or the Reference $\text{Item}_{\text{final}}$ and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

For the purposes of this Condition 7:

"**Potential Adjustment Event**" means any of the following:

(a) a subdivision, consolidation or reclassification of a relevant Underlying Equity (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equity to existing holders by way of bonus, capitalisation or similar issue;

(b) a distribution, issue or dividend to existing holders of a relevant Underlying Equity of (1) an additional amount of such Underlying Equity or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant Equity Issuer equally or proportionately with such payments to holders of such Underlying Equity or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the relevant Equity Issuer as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;

(c) the declaration or payment of any dividend (or portion thereof) that the Calculation Agent determines to be an extraordinary dividend;

(d) a call by an Equity Issuer (other than an ETF Issuer) in respect of a relevant Underlying Equity that is not fully paid;

(e) a repurchase by an Equity Issuer or any of its subsidiaries of a relevant Underlying Equity whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise (excluding any redemption of ETF Shares initiated by an investor on terms consistent with the relevant ETF Documents);

(f) in respect of an Equity Issuer (other than an ETF Issuer), an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Equity Issuer, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence

of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

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

(ii) If (x) De-listing, Merger Event, Nationalisation and Insolvency and/or (y) Tender Offer is specified to be applicable in the applicable Final Terms and (in the case of (x)), a De-listing, Merger Event, Nationalisation or (other than in respect of an ETF Share) Insolvency occurs or (in the case of (y)) a Tender Offer occurs, in each case, in relation to an Underlying Equity, the Issuer in its sole and absolute discretion may:

(a) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Reference $\text{Item}_{\text{initial}}$ and/or the Reference $\text{Item}_{\text{final}}$ and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may (i) include, without limitation, the substitution of the Underlying Equity the subject of the De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer by a replacement equity security selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution or (ii) in the case of adjustments following a Merger Event or Tender Offer include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying Equities; or

(b) give notice to the Noteholders in accordance with Condition 20 (*Notices*) and redeem all, but not some only, of the Equity Linked Redemption Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

If the provisions of Condition 7*(b)*(ii)(a) apply, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, made by an options exchange to options on the Underlying Equity or Equities traded on that options exchange.

Upon the occurrence (if applicable) of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of these Conditions:

"**De-listing**" means, in respect of any relevant Underlying Equities, the relevant Exchange announces that pursuant to the rules of such Exchange, such Underlying Equities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and 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 any member state of the European Union);

"**Insolvency**" means, other than in respect of an ETF Share, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting an Equity Issuer (A) all the Underlying Equities of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Underlying Equities of that Equity Issuer become legally prohibited from transferring them;

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

"**Merger Event**" means, in respect of any relevant Underlying Equities, any (a) reclassification or change of such Underlying Equities that results in a transfer of, or an irrevocable commitment to transfer, all such Underlying Equities outstanding to another entity or person, (b) consolidation, amalgamation, merger or binding share exchange of the relevant Equity Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in any such reclassification or change of all such Underlying Equities outstanding), (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equities of the relevant Equity Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Equities (other than such Underlying Equities owned or controlled by such other entity or person), or (d) consolidation, amalgamation, merger or binding share exchange of the relevant Equity Issuer or its subsidiaries (if any) with or into another entity in which such Equity Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Equities outstanding but results in the outstanding Underlying Equities (other than those Underlying Equities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equities immediately following such event, in each case if the Merger Date is on or before the relevant Valuation Date or, if the Equity Linked Redemption Notes are to be redeemed by delivery of Underlying Equities, the Maturity Date;

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

"**Tender Offer**" means, in respect of an Equity Issuer, 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 such Equity Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

(iii) If Correction of Share Prices is specified to be applicable in the applicable Final Terms, with the exception of any corrections published after the Correction Cut-Off Date specified in the applicable Final Terms, if the price of an Underlying Equity published on a Valuation Date is subsequently corrected and the correction (the "**Corrected Share Price**") is published on the relevant Exchange within one Settlement Cycle after the original publication, (A) the Issuer shall give notice as soon as practicable of that correction to the Noteholders in accordance with Condition 20 (*Notices*), (B) such Corrected Share Price shall be deemed to be the closing price for such Underlying Equity for that Valuation Date (C) and the Calculation Agent shall use such Corrected Share Price in determining the relevant Interest Amount and/or Redemption Amount. Corrections published after the Correction Cut-Off Date will be disregarded by the Calculation Agent for the purposes of determining the relevant Interest Amount and/or Redemption Amount.

(iv) In respect of Equity Linked Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, then the Calculation Agent will adjust any one or more of the relevant Interest Amount and/or the Reference $\text{Item}_{\text{initial}}$ and/or the Reference $\text{Item}_{\text{final}}$ and/or the Multiplier and/or any of the other terms of these Conditions and/or the Redemption Amount and/or the applicable Final Terms as the Calculation Agent determines to be appropriate to preserve the economic terms of such Equity Linked Notes. The Calculation Agent will make any conversion necessary for the purposes of

any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition 7*(b)*(iv) will affect the currency denomination of any payments in respect of the Equity Linked Notes.

(c) *Consequences of Disrupted Days: Averaging Payments*

(i) *Disruption Fallback Provisions*

(a) Where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, if the Calculation Agent determines that any Valuation Date in respect of an Averaging Payment is a Disrupted Day, then:

(i) if "Omission" is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Averaging Payment in respect of such Valuation Date, provided that if through the operation of this provision there would not be any Valuation Date in respect of such Averaging Payment, then the sole Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date;

(ii) if "Postponement" is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 7*(c)* shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or

(iii) if "Modified Postponement" is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Valid Date following the Scheduled Valuation Date and (B) the Valuation Cut-Off Date, irrespective of whether the Valuation Cut-Off Date falls on a day that already is or is deemed to be a Valuation Date.

(b) Where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, if the Calculation Agent determines that any Valuation Date in respect of a Valuation Date for an Averaging Payment is a Disrupted Day in respect of any Underlying Equity, then:

(i) if "Omission" is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a Valuation Date in respect of any Underlying Equity in respect of such Reference Date, provided that, if through the operation of this provision there would not be any Valuation Date in respect of such Valuation Date, then:

(A) the sole Valuation Date for each Underlying Equity in respect of which the final Valuation Date is not a Disrupted Day shall be the final Valuation Date; and

(B) the sole Valuation Date for each Underlying Equity in respect of which the final Valuation Date is a Disrupted Day (each such Underlying Equity, an "**Affected Equity**") shall be the earlier of (I) the first Scheduled Trading Day following the final Valuation Date that is not a Disrupted Day in respect of such Affected Equity and (II) the Valuation Cut-Off Date for such Affected Equity;

(ii) if "Postponement" is specified to be applicable in the applicable Final Terms, then:

(A) the Valuation Date for each Underlying Equity in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and

(B) the Valuation Date for each Underlying Equity in respect of which the Valuation Date is a Disrupted Day (each such Underlying Equity, an "**Affected Equity**") shall be the earlier of (I) the first Scheduled Trading Day following the Valuation Date that is not a Disrupted Day in respect of such Affected Equity and (II) the Valuation Cut-Off Date for such Affected Equity. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 7*(c)* shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or

(iii) if "Modified Postponement" is specified to be applicable in the applicable Final Terms then:

(A) the Valuation Date for each Underlying Equity in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and

(B) the Valuation Date for each Underlying Equity in respect of which the Valuation Date is a Disrupted Day (each such Underlying Equity, an "**Affected Equity**") shall be the earlier of (I) the first Valid Date following the Valuation Date in respect of such Affected Equity and (II) the Valuation Cut-Off Date for such Affected Equity, irrespective of whether the Valuation Date falls on a day that already is or is deemed to be a Valuation Date.

(ii) *Determination of Reference Price*

If, in respect of any Underlying Equity, a Valuation Date is determined pursuant to Condition 7*(c)*(i) above:

(i) if such Valuation Date is not a Disrupted Day for such Underlying Equity, the Calculation Agent shall determine the Reference Price of such Underlying Equity as at the Reference Time on such Valuation Date; and/or

(ii) if such Valuation Date is a Disrupted Day for such Underlying Equity, the Calculation Agent shall determine the Reference Price for such Underlying Equity as at the Reference Time on the Valuation Date as its good faith estimate of the Reference Price of such Underlying Equity as of the Reference Time on the Valuation Date.

(iii) *Notice of Disruption Date*

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

(d) *Definitions applicable to Equity Linked Notes*

For the purposes of this Condition 7:

"**Additional ETF Documents**" means, in respect of an ETF, any documents of such ETF which are determined to be Additional ETF Documents by the Calculation Agent.

"**Averaging Payment**" means any payment relating to:

(a) Equity Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3(b)(ii)(V), the Asian Option – Underlying Equity/Basket of Underlying Equities Interest Variable Option:

(b) Equity Linked Redemption Notes where sub-paragraph (x)(iii) or sub-paragraph (y)(iii) of the definition of "Redemption Amount" below is applicable;

(c) Equity Linked Autocall Notes where averaging is applicable to the calculation of the Autocall Redemption Amount under Condition 5(e)(iii)(IV)(b), 5(e)(iii)(V)(c) or 5(e)(iii)(VI); and

(d) any other amounts payable on Equity Linked Notes to which averaging relates.

"**Clearance System**" means, in respect of an Underlying Equity, the principal domestic clearance system customarily used for settling trades in such Underlying Equity.

"**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 an event which results in such Clearance System being unable to clear the transfer of the relevant Underlying Equity, would have been) open for the acceptance and execution of settlement instructions.

"**Disrupted Day**" means, in respect of an Underlying Equity, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

"**Equity Issuer**" means, in respect of an Underlying Equity, the issuer of such Underlying Equity (which, in the case of Underlying Equity that is specified as an ETF Share in the applicable Final Terms, will be an ETF Issuer) specified as such in the applicable Final Terms.

"**Equity Linked Notes**" means Equity Linked Interest Notes and Equity Linked Redemption Notes.

"**ETF**" means an exchange traded fund.

"**ETF Administrator**" means, in respect of an ETF Share and the related ETF, any person so specified 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 ETF according to the ETF Documents.

"**ETF Adviser**" means, in respect of an ETF Share and the related ETF, any person so specified 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 adviser) for such ETF.

"**ETF Documents**" means, in respect of an ETF Share and the related ETF, the constitutive and governing documents, subscription agreements and other agreements of the ETF specifying the terms and conditions relating to such ETF Share and any Additional ETF Documents, in each case, as amended from time to time.

"**ETF Issuer**" means, in respect of an ETF Share, the issuer of such ETF Share specified as the Equity Issuer in the applicable Final Terms.

"**ETF Share**" means each ETF share specified as an Underlying Equity in the applicable Final Terms.

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

"**Exchange Business Day**" means, in respect of an Underlying Equity, any Scheduled Trading Day on which each Exchange and each Related Exchange for such Underlying Equity is open for trading

during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Index Sponsor**" means 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 the relevant Reference Index, and (b) announces (directly or through an agent) the level of the relevant Reference Index on a regular basis during each Scheduled Trading Day.

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

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

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

(A) relating to the Underlying Equity on the Exchange; or

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

(ii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Underlying Equities on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Underlying Equity on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

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

"**Redemption Amount**" means, in relation to an Equity Linked Redemption Note, an amount calculated by the Calculation Agent equal to:

$$Calculation\ Amount\ \times MAX\left[Floor\ \%;\left\{MIN\left(Cap\ \%; 1+\left[ERM\ x\ \frac{Reference\ Item_{final}\ -\ (SF\ \times Reference\ Item_{Initial})}{Reference\ Item_{initial}}\right]\right)\right\}\right]$$

(a) Floor % shall be specified in the applicable Final Terms;

(b) Cap % shall be specified in the applicable Final Terms;

(c) "**ERM**" means the Equity Redemption Multiplier specified in the applicable Final Terms;

(d) Reference $Item_{initial}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $Item_{initial}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 7*(d)*) determined (and subject to adjustment) in accordance with this Condition 7 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $Item_{initial}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 7*(d)*) determined (and subject to adjustment) in accordance with this Condition 7 in respect of each Valuation Date specified for this purpose in the applicable Final Terms;

(e) Reference $\text{Item}_{\text{final}}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $\text{Item}_{\text{final}}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 7*(d)*) determined (and subject to adjustment) in accordance with this Condition 7 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $\text{Item}_{\text{final}}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 7*(d)*) determined (and subject to adjustment) in accordance with this Condition 7 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and

(f) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Equity Linked Redemption Notes which are represented by a Global Note, the reference to "Calculation Amount" shall be deemed to refer to the aggregate outstanding nominal amount of the Equity Linked Redemption Notes represented by such Global Note. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

"**Reference Index**" means, in respect of an ETF Share and the related ETF, the index tracked by such ETF as of the Trade Date, as specified in the applicable Final Terms.

"**Reference Price**" means, in relation to a Valuation Date and subject to adjustment in accordance with the other provisions of this Condition 7:

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

(b) where the Equity Linked Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, an amount equal to the sum of the products calculated for each Underlying Equity of (I) the percentage Multiplier specified in the applicable Final Terms for the relevant Undertaking Equity and (II) the official closing price on that Valuation Date (or, if a Valuation Time is specified in the applicable Final Terms, the price at such Valuation Time on that Valuation Date) of the relevant Underlying Equity quoted on the relevant Exchange without regard to any subsequently published correction as determined by the Calculation Agent (or if, in the opinion of the Calculation Agent, no such price (or, as the case may be, any such official closing price) can be determined at such time and, if Disrupted Day is specified to be applicable in the applicable Final Terms, and that Valuation Date is not a Disrupted Day or if Disrupted Day is specified as not applicable in the applicable Final Terms, an amount determined by the

Calculation Agent to be equal to the arithmetic mean of the fair market buying price at the Valuation Time (or, as the case may be, of the closing fair market buying price) on that Valuation Date and the fair market selling price at the Valuation Time (or, as the case may be, of the closing fair market selling price) on that Valuation Date for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide). Each value determined pursuant to the foregoing shall be converted, if Exchange Rate is specified to be applicable in the applicable Final Terms, into the Specified Currency at the Exchange Rate and the sum of such converted amounts shall be the Reference Price.

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

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

"**Scheduled Trading Day**" means any day on which each Exchange and each Related Exchange is scheduled to be open for trading for its respective regular trading session.

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

"**Settlement Cycle**" means, in respect of an Underlying Equity, the period of Clearance System Business Days following a trade in such Underlying Equity on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

"**Underlying Equities**" and "**Underlying Equity**" mean the equity securities or units or equity security or unit specified as such in the applicable Final Terms, which may comprise one or more ETF Shares, and related expressions shall be construed accordingly.

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

"**Valuation Cut-Off Date**" means the eighth Scheduled Trading Day following the Scheduled Valuation Date.

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

(a) If such day is a Disrupted Day which does not relate to an Averaging Payment:

(i) where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, the Valuation Date shall be the earlier of (i) first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date (i) the Valuation Cut-Off Date shall be deemed to be that Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where practicable, determine the Reference Price using its good faith estimate of the Reference Price as of the Valuation Time on that Valuation Cut-Off Date; or

(ii) where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, the Valuation Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Underlying Equity affected (each an "**Affected Equity**") by the occurrence of a Disrupted Day shall be the earlier of (i) first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date relating to the Affected Equity. If the earlier of such dates is the Valuation Cut-Off Date (i) the Valuation Cut-Off Date shall be deemed to be that Valuation Date for the Affected Equity, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, determine the Reference Price using, in relation to the Affected Equity, a price determined using its good faith estimate of the value for the Affected Equity as of the Valuation Time on the Valuation Cut-Off Date and otherwise in accordance with the above provisions.

(b) If such day is a Disrupted Day and relates to an Averaging Payment, such date as is determined in accordance with Condition 7*(c)* above.

"**Valuation Time**" means, unless an alternative Valuation Time is specified in the applicable Final Terms, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date in relation to the Underlying Equity to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## 8 Inflation Linked Notes

If the Notes are Inflation Linked Interest Notes and/or Inflation Linked Redemption Notes then the provisions of this Condition 8 apply, as completed by the applicable Final Terms.

(a) *Redemption of Inflation Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled each nominal amount of the Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the issuer at the Redemption Amount on the Maturity Date, subject as provided below.

(b) *Adjustments: Delay in Publication, Cessation of Publication, Manifest Error in Publication, Rebasing of the Inflation Index and Material Modification Prior to Relevant Payment Date*

(i) *Delay in Publication*

If the level of the Inflation Index for a Reference Month which is relevant to the calculation of a payment under the Inflation Linked Notes (a "**Relevant Level**") has not been published or announced by the Relevant Determination Date for such Relevant Payment Date, the Calculation Agent shall determine the level of such Inflation Index for such Reference Month (a "**Substitute Inflation Index Level**") in place of such Relevant Level by using the following methodology:

(A) if applicable, the Calculation Agent will take the same action to determine the Substitute Inflation Index Level for such Relevant Payment Date as that taken by the calculation agent pursuant to the terms and conditions of any relevant Related Bond; or

(B) if (A) above does not result in a Substitute Inflation Index Level for such Relevant Payment Date for any reason, then the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$$\left[\left(Substitute\ \ Inflation\ Index\ Level\ = Base\ Level \times \left(\frac{Latest\ Level}{Reference\ Level}\right)\right)\right].$$

Following the determination of a Substitute Inflation Index Level by the Calculation Agent in accordance with this Condition 8(b)(i), the Issuer shall promptly give notice to the Noteholders in accordance with Condition 20 (Notices) of such Substitute Inflation Index Level.

If a Relevant Level in respect of a Relevant Payment Date is published or announced at any time after the Relevant Determination Date for such Relevant Payment Date, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level determined pursuant to this Condition 8(b)(i) will be the definitive level for that Reference Month.

For the purposes of this Condition 8(b)(i):

"**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 Inflation 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 Inflation 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 referred to in the definition of "Latest Level" above.

(ii) *Cessation of Publication*

If the level of an Inflation Index has not been published or announced for two consecutive months or such other period as is specified in the applicable Final Terms (the "**Period of Cessation of Publication**") and/or the relevant Inflation Index Sponsor announces that it will no longer continue to publish or announce such Inflation Index then the Calculation Agent shall determine a successor index (a "**Successor Inflation Index**") (in lieu of the relevant previously applicable Inflation Index) for the purposes of the Inflation Linked Interest Notes by using the following methodology:

(A) if at any time (other than after an Inflation Index Cancellation (as defined below)) a successor index has been designated in respect of an Inflation Index by the calculation agent pursuant to the terms and conditions of any relevant Related Bond, such successor index shall be designated the "Successor Inflation Index" for such Inflation Index for the purposes of all subsequent Relevant Payment Dates, notwithstanding that any other Successor Inflation Index may previously have been determined pursuant to paragraphs (B) or (C) below;

(B) if a Successor Inflation Index is not determined pursuant to paragraph (A) above and no Inflation Index Cancellation (as defined below) has occurred and a notice has been given or an announcement has been made by the relevant Inflation Index Sponsor specifying that such Inflation Index will be superseded by a replacement index specified by the relevant Inflation Index Sponsor and the Calculation Agent determines that such replacement Inflation 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 "Successor Inflation Index" for such Inflation Index for the purposes of the Inflation Linked Interest Notes from the date that such Successor Inflation Index comes into effect; or

(C) if a Successor Inflation Index has not been determined under (A) or (B) above and no Inflation Index Cancellation (as defined below) has occurred, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If between four and 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, the Calculation Agent will proceed to paragraph (D) hereof; or

(D) if a Successor Inflation Index is not determined pursuant to paragraphs (A), (B) or (C) above by the Relevant Determination Date in respect of the next succeeding Relevant Payment Date, the Calculation Agent will determine an appropriate alternative index for such Relevant Payment Date and such index will be deemed to be the "Successor Inflation Index" for such Inflation Index.

If a Successor Inflation Index is determined in accordance with the above, the Calculation Agent may make such adjustment(s) to these Conditions and/or the applicable Final Terms as the Calculation Agent determines necessary or appropriate to account for such replacement and determine the effective date(s) of the adjustment(s) to the Inflation Linked Interest Notes.

If the Calculation Agent determines that there is no appropriate alternative index, there will be deemed to be no Successor Inflation Index for such Inflation Index (an "**Inflation Index Cancellation**") and, on giving notice to Noteholders in accordance with Condition 20 (*Notices*), the Issuer shall redeem all, but not some only, of the Inflation Linked Interest Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

Notice of the determination of a Successor Inflation Index and the date from which such index becomes the Successor Inflation Index and any relevant adjustment(s) to these Conditions and/or the applicable Final Terms or any Inflation Index Cancellation will be given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*).

(iii) *Manifest Error in Publication*

If, in respect of a Relevant Payment Date and a Relevant Level in respect of such Relevant Payment Date, the Calculation Agent determines that the relevant Inflation Index Sponsor has corrected such Relevant Level to remedy a manifest error in its original publication, prior to thirty days following publication of such Relevant Level for such Relevant Payment Date the Calculation Agent may use such corrected Relevant Level to calculate any payments under the Inflation Linked Interest Notes in respect of such Relevant Payment Date. Corrections published on or after thirty days following publication of such Relevant Level for such Relevant Payment Date will be disregarded by the Calculation Agent for the purposes of determining any payments under the Inflation Linked Interest Notes.

Notice of any such correction pursuant to this Condition 8*(b)*(iii) shall be given to Noteholders in accordance with Condition 20 (*Notices*).

(iv) *Rebasing of the Inflation Index*

If the Calculation Agent determines that an Inflation Index has been or will be rebased at any time, such Inflation Index as so rebased (the "**Rebased Index**") will be used for purposes of determining any Relevant Level in respect of such Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make (A) such adjustments as are made by the calculation agent pursuant to the terms and conditions of any relevant Related Bond to the levels of such Rebased Index so that such Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased and/or (B) if there is no Related Bond, the Calculation Agent shall make such adjustments to the levels of such Rebased Index so that such Rebased Index levels reflect the same rate of inflation as the relevant Inflation Index before it was rebased and, in each case, the Calculation Agent may make such adjustment(s) to these Conditions and/or the applicable Final Terms as the Calculation Agent determines necessary or appropriate to account for such rebasing and determine the effective date of the adjustment(s) to the Inflation Linked Interest Notes. For the avoidance of doubt, any such rebasing shall not affect prior payments made under the Inflation Linked Interest Notes.

Notice of any adjustment or determination pursuant to this Condition 8*(b)*(iv) shall be given to Noteholders in accordance with Condition 20 (*Notices*).

(v) *Material Modification Prior to Relevant Payment Date*

If, on or prior to the Relevant Determination Date in respect of any Relevant Payment Date, an Inflation Index Sponsor announces that it will make a material change to an Inflation Index, the

Calculation Agent shall (A) make appropriate adjustment(s) to these Conditions and/or the applicable Final Terms, consistent with any adjustments made to any relevant Related Bond as the Calculation Agent determines necessary or appropriate to account for such change to such Inflation Index and determine the effective date(s) of the adjustment(s) to the Inflation Linked Interest Notes, or (B) if there is no relevant Related Bond make only those adjustments to the Conditions and/or the applicable Final Terms as the Calculation Agent determines necessary for the modified Inflation Index to continue as an Inflation Index.

Notice of any adjustment pursuant to this Condition 8*(b)*(v) shall be given to Noteholders in accordance with Condition 20 (*Notices*).

(c) *For the purposes of this Condition 8:*

"**Fallback Bond**" means, in respect of an Inflation Index unless otherwise specified in the applicable Final Terms, 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 same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity 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 of the first Tranche of the relevant Series 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 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).

"**Inflation Index**" or "**Inflation Indices**" means the index or indices specified in the applicable Final Terms or any Successor Inflation Index as nominated pursuant to these Conditions.

"**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.

"**Inflation Linked Notes**" means Inflation Linked Interest Notes or Inflation Linked Redemption Notes.

"**Reference Month**" means, in respect of an Inflation Index, the calendar month for which the level of such Inflation Index was reported, regardless of when this information is published or announced. If the period for which the Inflation Index level was reported is a period other than a month, the Reference Month shall be the period for which the Inflation Index level was reported.

"**Redemption Amount**" means, in relation to an Inflation Linked Redemption Note, an amount calculated by the Calculation Agent equal to:

$$Calculation\ Amount \times MAX\left[Floor\ \%; \left\{MIN\left(Cap\ \%; 1 + \left[ILRM \times \frac{Reference\ Item_{final} - (SF \times Reference\ Item_{Initial})}{Reference\ Item_{initial}}\right]\right)\right\}\right]$$

where the value of:

(u) Floor % shall be specified in the applicable Final Terms;

(v) Cap % shall be specified in the applicable Final Terms;

(w) "**ILRM**" means the Inflation Redemption Multiplier specified in the applicable Final Terms;

(x) Reference $Item_{initial}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $Item_{initial}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 8*(b)*) determined (and

subject to adjustment) in accordance with this Condition 8 in respect of the Valuation $Date_t$ specified for this purpose in the applicable Final Terms; or

(iii) if Reference $Item_{initial}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 8*(b)*) determined (and subject to adjustment) in accordance with this Condition 8 in respect of each Valuation $Date_t$ specified for this purpose in the applicable Final Terms;

(y) Reference $Item_{final}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $Item_{final}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 8*(b)*) determined (and subject to adjustment) in accordance with this Condition 8 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $Item_{final}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 8*(b)*) determined (and subject to adjustment) in accordance with this Condition 8 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and

(z) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Inflation Linked Redemption Notes which are represented by a Global Note, the reference to "Calculation Amount" shall be deemed to refer to the aggregate outstanding nominal amount of the Inflation Linked Redemption Notes represented by such Global Note. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

"**Reference Price**" means, in relation to a Relevant Determination Date, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the official level of the Inflation Index as determined by the Calculation Agent on the Relevant Determination Date.

"**Related Bond**" means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms or, if no bond is so specified, the Fallback Bond. If the relevant 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 "Related Bond: Not Applicable" or no Related Bond is specified in the applicable Final Terms and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the applicable Final Terms and that bond redeems or matures before the Maturity Date, 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.

"**Relevant Determination Date**" means, in respect of a Relevant Payment Date, each date specified as such in the applicable Final Terms.

"**Relevant Payment Date**" means each day specified as such in the applicable Final Terms.

"**Valuation Date**" means the date specified in the applicable Final Terms.

## 9 Currency Linked Notes

If the Notes are Currency Linked Interest Notes and/or Currency Linked Redemption Notes then the provisions of this Condition 9 apply, as applicable, as completed by the applicable Final Terms.

Unless Currency Linked Notes are previously redeemed or purchased and cancelled, if the determination of (I) an Interest Amount (in the case of Currency Linked Interest Notes); or (II) the Redemption Amount (in the case of Currency Linked Redemption Notes) is postponed as a result of the occurrence of a Disrupted Day (as defined in Condition 9*(c)* below) which prevents a Reference Price being determined on the scheduled

Valuation Date, then payment of any such amount (the "**Currency Linked Affected Amount**") shall be postponed to the date determined in accordance with Condition 9*(b)*(ii) and such Currency Linked Affected Amount shall be paid without any interest or other sum payable in respect of the postponement of the payment thereof.

(a) *Redemption of Currency Linked Redemption Notes*

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

(b) *Market Disruption*

With respect to any Currency Linked Note, if any Valuation Date on which a Reference Price (as defined in Condition 9(*c*) below) is scheduled to be determined is a Disrupted Day and:

(i) the Valuation Date does not relate to an Averaging Payment, the Calculation Agent may, in its sole and absolute discretion, take any one or more of the following actions:

(A) deduct from the relevant Interest Amount and/or Redemption Amount determined on the basis of such Reference Price an amount calculated by the Calculation Agent as representing the cost, expense, charge and/or deduction arising in connection with such Currency Disruption Event(s) or make any other adjustment with respect thereto; and/or

(B) postpone any date for payment of the relevant Interest Amount and/or Redemption Amount; and/or

(C) in the case of a Price Source Disruption specify and adopt:

(I) an appropriate alternate fallback or alternative price or rate source or method of determination selected by the Calculation Agent in its sole discretion; or

(II) a replacement of any one or more relevant currencies, as the case may be; or

(D) give notice to the Noteholders in accordance with Condition 20 (*Notices*) and redeem all, but not some only, of the Currency Linked Notes at their Early Redemption Amount; or

(ii) the Valuation Date relates to an Averaging Payment, such Valuation Date will be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Interest Amount or Redemption Amount. If, through operation of this provision, there would not be any Valuation Date with respect to the date for payment of the relevant Interest Amount or Redemption Amount, the provisions of Condition 9*(b)*(i)(A)-(D) will apply for purposes of determining the relevant Reference Price on such Valuation Date.

(c) *Definitions applicable to Currency Linked Notes*

For the purposes of this Condition 9:

"**Averaging Payment**" means any payment relating to:

(a) Currency Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3(*b*)(ii)(V), the Asian Option – Currency Interest Variable Option;

(b) Currency Linked Redemption Notes where sub-paragraph (x)(iii) or sub-paragraph (y)(iii) of the definition of "Redemption Amount" below is applicable;

(c) Currency Linked Autocall Notes where averaging is applicable to the calculation of the Autocall Redemption Amount under Condition 5(*e)*(iii)(IV)(b), 5(*e*)(iii)(V)(c) or 5(*e*)(iii)(VI); and

(d) any other amounts payable on Currency Linked Notes to which averaging relates.

"**Base Currency**" means the Currency specified as such in the applicable Final Terms.

"**Benchmark Obligation(s)**" means the obligation(s) so specified in the applicable Final Terms in relation to the Reference Currency.

"**Benchmark Obligation Default**" means, with respect to any Benchmark Obligation, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of such Benchmark Obligation, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any principal, interest or other amounts due in respect of such Benchmark Obligation or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of such Benchmark Obligation without the consent of all holders of such Benchmark Obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of the relevant entity to issue or enter into such Benchmark Obligation.

"**Currency Disruption Event**" means the occurrence with respect to the Issuer, any hedging counterparty of the Issuer or any Affiliate thereof of (A) Benchmark Obligation Default, (B) Dual Exchange Rate, (C) General Inconvertibility, (D) General Non-Transferability, (E) Governmental Authority Default, (F) Illiquidity, (G) Material Change In Circumstances, (H) Nationalisation, (I) Price Materiality, (J) Price Source Disruption, (K) Specific Inconvertibility, or (L) Specific Non-Transferability in each case, if specified as being applicable in the applicable Final Terms.

"**Currency Linked Notes**" means Currency Linked Interest Notes and Currency Linked Redemption Notes.

"**Currency Page**" means the page of the relevant screen provider as specified in the applicable Final Terms or any successor page on which the Calculation Agent determines that the relevant Currency Rate is displayed.

"**Currency Rate**" means, as at any time, the currency exchange rate between the Reference Currency and the Base Currency as specified for the Currency Rate on the Currency Page specified in the applicable Final Terms.

"**Disrupted Day**" means a day on which one or more relevant Currency Disruption Events has occurred and is continuing.

"**Dual Exchange Rate**" means the relevant Reference Price splits into dual or multiple currency exchange rates.

"**Event Currency**" means the currency specified as such in the applicable Final Terms.

"**Event Currency Jurisdiction**" means, in respect of an Event Currency, the country for which the Event Currency is the lawful currency.

"**General Inconvertibility**" means the occurrence of any event that generally makes it impossible to convert the Event Currency into the Non-Event Currency in the Event Currency Jurisdiction through customary legal channels.

"**General Non-Transferability**" means the occurrence of any event that generally makes it impossible to deliver (A) the Non-Event Currency from accounts inside the Event Currency Jurisdiction to accounts outside the Event Currency Jurisdiction or (B) the Event Currency between accounts inside the Event Currency Jurisdiction or to a party that is a non-resident of the Event Currency Jurisdiction.

"**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 the Event Currency Jurisdiction.

"**Governmental Authority Default**" means, with respect to any security or indebtedness for borrowed money of, or guaranteed by, any Governmental Authority, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security, indebtedness for borrowed money or

guarantee, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for borrowed money or guarantee.

"**Hedging Arrangements**" means any hedging arrangements entered into by the Issuer (and/or its Affiliates) at any time with respect to the Notes, including without limitation the purchase and/or sale of any relevant currency and any associated foreign exchange transactions.

"**Illiquidity**" means it becomes impossible to obtain a firm quote of the Reference Price for the Minimum Amount (either in one transaction or a commercially reasonable number of transactions that, when taken together, total the Minimum Amount) on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source) or by such other date (the "**Illiquidity Valuation Date**") as is specified for such purpose in the applicable Final Terms. If an Illiquidity Valuation Date is specified in the applicable Final Terms and an Illiquidity Market Disruption Event occurs on such date, then the Illiquidity Valuation Date will be deemed to be the Valuation Date for such Notes.

"**Material Change in Circumstances**" means the occurrence of any event (other than those events specified as Currency Disruption Events in the applicable Final Terms) in the Event Currency Jurisdiction beyond the control of the Issuer which makes it impossible (A) for the Issuer to fulfil its obligations under the Currency Linked Notes, and (B) generally to fulfil obligations similar to the Issuer's obligations under the Currency Linked Notes.

"**Minimum Amount**" means the amount specified as such in the applicable Final Terms.

"**Nationalisation**" means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its Affiliates which are party to any Hedging Arrangements) of all or substantially all of its assets in the Event Currency Jurisdiction.

"**Non-Event Currency**" means the currency for any Reference Price that is not the Event Currency.

"**Price Materiality**" means the Primary Rate differs from the Secondary Rate by at least the Price Materiality Percentage.

"**Price Materiality Percentage**" means the percentage specified as such in the applicable Final Terms.

"**Price Source Disruption**" means it becomes impossible to obtain the Reference Price on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source).

"**Primary Rate**" means, in respect of a Notes and for the purposes of the definition of Price Materiality, the Currency Rate.

"**Rate Calculation Date**" means any Valuation Date specified as such in the applicable Final Terms or any other date on which a Reference Price in respect of Currency Linked Notes is required to be determined in accordance with the Conditions.

"**Redemption Amount**" means, in relation to a Currency Linked Redemption Note, an amount calculated by the Calculation Agent equal :

$$Calculation\ Amount\ \times MAX\left[Floor\ \%;\left\{MIN\left(Cap\ \%;1+\left[CRM\ x\ \frac{Reference\ Item_{initial}-(SF\ \times Reference\ Item_{final})}{Reference\ Item_{final}}\right]\right)\right\}\right]$$

where the value of:

(u) Floor % shall be specified in the applicable Final Terms;

(v) Cap % shall be specified in the applicable Final Terms;

(w) "**CRM**" means the Currency Redemption Multiplier specified in the applicable Final Terms;

(x) Reference $\text{Item}_{\text{initial}}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $\text{Item}_{\text{initial}}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 9*(c)*) determined (and subject to adjustment) in accordance with this Condition 9 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $\text{Item}_{\text{initial}}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 9*(c)*) determined (and subject to adjustment) in accordance with this Condition 9 in respect of each Valuation Date specified for this purpose in the applicable Final Terms;

(y) Reference $\text{Item}_{\text{final}}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $\text{Item}_{\text{final}}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 9*(c)*) determined (and subject to adjustment) in accordance with this Condition 9 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $\text{Item}_{\text{final}}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 9*(c)*) determined (and subject to adjustment) in accordance with this Condition 9 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and

(z) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Currency Linked Redemption Notes which are represented by a Global Note, the reference to "Calculation Amount" shall be deemed to refer to the aggregate outstanding nominal amount of the Currency Linked Redemption Notes represented by such Global Note. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

"**Reference Currency**" means the currency specified as the Reference Currency in the applicable Final Terms.

"**Reference Price**" means, in relation to any Rate Calculation Date but subject to adjustment in accordance with Condition 9*(b)*, the currency exchange rate equal to (A) the Currency Rate, or (B) if a Currency Rate is not specified, the Spot Rate for that Valuation Date.

"**Repudiation**" means that, in respect of a Series of Notes, (A) for purposes of the definition of Benchmark Obligation Default, the issuer of or any party to, as the case may be, the relevant Benchmark Obligation disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of the Benchmark Obligation in any material respect, and (B) the relevant Governmental Authority disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of any security, indebtedness for borrowed money or guarantee of such Governmental Authority in any material respect.

"**Secondary Rate**" means, in respect of the Notes and for the purpose of the definition of Price Materiality, the currency exchange rate specified for such purposes in the applicable Final Terms.

"**Specific Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert the Minimum Amount of the Event Currency into the Non-Event Currency in the Event Currency Jurisdiction, other than where such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule

or regulation is enacted after the Issue Date of the Currency Linked Notes and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

"**Specific Non-Transferability**" means the occurrence of any event that makes it impossible for the Issuer to deliver (A) the Non-Event Currency from accounts inside the Event Currency Jurisdiction to accounts outside the Event Currency Jurisdiction, or (B) the Event Currency between accounts inside the Event Currency Jurisdiction or to a party that is a non-resident of the Event Currency Jurisdiction, other than where such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the Currency Linked Notes and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

"**Spot Rate**" means, for any Rate Calculation Date, the currency exchange rate at the Valuation Time of one currency for another expressed as a number of units of the Reference Currency (or fractional amounts thereof) per unit of the Base Currency, as determined in good faith and in a commercially reasonable manner by the Calculation Agent.

"**Valuation Date**" means each date specified or otherwise determined as a Valuation Date (or, if applicable, the Illiquidity Valuation Date) in the applicable Final Terms as of which a Reference Price is to be determined, subject to adjustment in accordance with the Preceding Business Day Convention unless another Business Day Convention is specified to be applicable to that Valuation Date.

"**Valuation Time**" means, in respect of a Currency Rate or Spot Rate, the time specified as such in the applicable Final Terms or such other time as the Calculation Agent may select in its absolute discretion and notify to Noteholders in accordance with the General Conditions.

## 10 Commodity Linked Notes

If the Notes are Commodity Linked Interest Notes and/or Commodity Linked Redemption Notes then the provisions of this Condition 10 apply, as applicable, as completed by the applicable Final Terms.

*(a) Redemption of Commodity Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of Commodity Linked Redemption Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer at its Redemption Amount (as defined below) on the Maturity Date.

*(b) Market Disruption*

(i) Definition

"**Market Disruption Event**" means an event that, if applicable to the Notes, would give rise, in accordance with an applicable Disruption Fallback, to an alternative basis for determining the Relevant Price in respect of a specified Commodity Reference Price or the cancellation of the Notes were the event to occur or exist on a day that is a Valuation Date (or, if different, the day on which prices for that Valuation Date would, in the ordinary course, be published or announced by the relevant Price Source).

In the case of an Underlying Commodity, each of:

(A) "Price Source Disruption";

(B) "Trading Disruption";

(C) "Disappearance of Commodity Reference Price";

(D) "Material Change in Formula";

(E) "Material Change in Content"; and

(F) "Tax Disruption",

in any case, as specified in the applicable Final Terms or as deemed to be specified pursuant to Condition 10*(b)*(ii), shall be a Market Disruption Event.

In the case of a Commodity Index, each of the following shall, unless otherwise specified in the applicable Final Terms, be a Market Disruption Event:

(A) a temporary or permanent failure by the Price Source to announce or publish (x) the Commodity Reference Price or (y) the closing or other relevant price for any Commodity Index Component;

(B) a material suspension of, or the material limitation imposed on, or disruption of, trading in one or more of the Commodity Index Components which results in a failure by the Exchange on which a relevant Commodity Index Component is traded to report the closing or other relevant price for such Commodity Index Component; or

(C) the closing or other relevant price for any Commodity Index Component is a "**limit price**", which means that the closing or other relevant price for such Commodity Index Component for a day has increased or decreased from the previous day's closing or other relevant price by the maximum amount permitted under the rules of the relevant Exchange.

(ii) Other Market Disruption Events

In the case of an Underlying Commodity, if Other Market Disruption Events are specified in the applicable Final Terms, the following will apply:

(A) in respect of an Underlying Commodity other than an Underlying Commodity which is specified in the applicable Final Terms to be a Bullion Commodity: (I) "Price Source Disruption", (II) "Trading Disruption", (III) "Disappearance of Commodity Reference Price", (IV) "Material Change in Formula" and (V) "Material Change in Content"; and

(B) in respect of an Underlying Commodity which is specified in the applicable Final Terms to be a Bullion Commodity: (x) "Price Source Disruption", (y) "Trading Disruption" and (z) "Disappearance of Commodity Reference Price".

(iii) Consequences of a Market Disruption Event

If the Calculation Agent determines that a Market Disruption Event applicable to the Notes has occurred or exists on a day that is a Valuation Date (or, if different, the day on which prices for that Valuation Date would, in the ordinary course of business, be published or announced by the relevant Price Source), the Relevant Price for that Valuation Date will be determined in accordance with the first applicable Disruption Fallback (applied in accordance with its terms) that provides the Relevant Price or, if there is no such Relevant Price, the first applicable, if any, Disruption Fallback that provides for the cancellation of the Notes.

The Calculation Agent shall, as soon as practicable, notify the Issuer and the Agent if it has determined that a Market Disruption Event has occurred and the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 20(*Notices*) giving details of the action proposed to be taken in relation thereto.

*(c) Disruption Fallbacks*

(i) Definition

"**Disruption Fallback**" means the source or method that, if applicable to the Notes, may give rise to an alternative basis for determining the Relevant Price in respect of a specified Commodity Reference Price or the cancellation of the Notes when a Market Disruption Event occurs or exists on a day that is a Valuation Date (or, if different, the day on which prices for that Valuation Date would, in the ordinary course, be published or announced by the relevant Price Source).

In the case of an Underlying Commodity, each of:

(A) "Fallback Reference Dealers";

(B) "Fallback Reference Price";

(C) "Postponement";

(D) "Calculation Agent Determination";

(E) "Delayed Publication and Announcement"; and

(F) "Cancellation",

in any case, as specified in the applicable Final Terms or as deemed to be specified pursuant to Condition 10*(c)*(ii) below, shall be a Disruption Fallback.

In the case of a Commodity Index, each of:

(A) "Postponement";

(B) "Calculation Agent Determination";

(C) "Cancellation"; and,

(D) "Delayed Publication and Announcement",

in any case, as specified in the applicable Final Terms or as deemed to be specified pursuant to Condition 10*(c)*(ii) below, shall be a Disruption Fallback.

The applicable Final Terms may specify one or more alternative provisions as "Disruption Fallbacks" in relation to an Underlying Commodity and/or a Commodity Index.

(ii) Other Disruption Fallbacks

In the case of an Underlying Commodity, if Other Disruption Fallbacks are specified in the applicable Final Terms, the following Disruption Fallbacks will apply (in the following order): (A) "Fallback Reference Price" (if an alternate Commodity Reference Price is specified in the applicable Final Terms), (B) "Delayed Publication and Announcement" and "Postponement" (each to operate concurrently with the other and each subject to two Commodity Business Days as the applicable Maximum Days of Disruption PROVIDED THAT the price determined by "Postponement" shall be the Relevant Price only if "Delayed Publication and Announcement" does not yield a Relevant Price within the Maximum Days of Disruption), (C) "Calculation Agent Determination" and (D) "Cancellation".

In the case of a Commodity Index, if no Disruption Fallbacks are specified in the applicable Final Terms, the following Disruption Fallbacks will be deemed to have been specified (in the following order): (A) "Delayed Publication and Announcement" and "Postponement" (each to operate concurrently with the other and each subject to two Commodity Business Days as the applicable Maximum Days of Disruption PROVIDED THAT the price determined by "Postponement" shall be the Relevant Price only if "Delayed Publication and Announcement" does not yield a Relevant Price within the Maximum Days of Disruption), (B) "Calculation Agent Determination" and (C) "Cancellation".

(iii) Cancellation

If a Market Disruption Event occurs or exists on a day that would otherwise be a Valuation Date (or, if different, the day on which prices for that Valuation Date would, in the ordinary course, be published or announced by the relevant Price Source) and (A) "Cancellation" is specified in the applicable Final Terms or is deemed to have been specified in accordance with Condition 10*(c)*(ii) above and (B) none of the other applicable Disruption Fallbacks (if any) provides the parties with a Relevant Price, on giving notice to Noteholders in accordance with Condition 20 (which notice will be irrevocable), the Issuer will redeem all but not some only of the Notes, each Note being redeemed at the Early Redemption Amount. Payment will be made in such manner and subject to such conditions as shall be notified to the Noteholders in accordance with Condition 20 (*Notices*) and upon such payment in respect of such Note, the Issuer's obligations in respect thereof shall be discharged.

*(d) Correction of Commodity Prices*

If Correction of Commodity Prices is specified in the applicable Final Terms, if the price or level 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 (the "**Corrected Commodity Price**") is

published or announced by the person responsible for that publication or announcement within 30 calendar days of the original publication or announcement, (A) the Issuer shall give notice as soon as practicable of that correction to the Noteholders in accordance with Condition 20 (*Notices*) and (B) the Calculation Agent shall use such Corrected Commodity Price in determining the relevant Interest Amount and/or Redemption Amount. Corrections published after the Correction Cut-Off Date will be disregarded by the Calculation Agent for the purposes of determining the relevant Interest Amount and/or Redemption Amount.

*(e) Adjustments to a Commodity Index*

(i) 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 (a "**Successor Index Sponsor**") acceptable to the Calculation Agent or (ii) replaced by a successor commodity 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 commodity index will be deemed to be the Commodity Index.

(ii) Modification and Cessation of Calculation of a Commodity Index

If on or prior to a Valuation 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 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 Commodity Index Components and weightings and other routine events) (a "**Commodity Index Modification**") or permanently cancels the Commodity Index and, together with a Commodity Index Modification, each a "**Commodity Index Adjustment Event**"), then the Issuer may take the action described in (a) or (b) below:

(a) require the Calculation Agent to determine if such Commodity Index Adjustment Event has a material effect on the Notes and, if so, to either (A) in relation to any Valuation Date, calculate the Relevant Price using, in lieu of a published level for that Commodity Index, the level for that Commodity Index as at the relevant Valuation 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 Commodity Index Adjustment Event, but using only those Commodity Index Components that comprised that Commodity Index immediately prior to that Commodity Index Adjustment Event or (B) substitute that Commodity Index with a replacement commodity index using, in the determination of the Calculation Agent, the same or a substantially similar method of calculation as used in the calculation of that Commodity Index and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution; or

(b) give notice to the Noteholders in accordance with Condition 20 (*Notices*) and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

(iii) Notice

Upon the occurrence of a Commodity Index Adjustment Event, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 20 (*Notices*) giving details of the action proposed to be taken in relation thereto.

*(f) Definitions applicable to Commodity Linked Notes*

For the purposes of this Condition 10:

"**Averaging Payment**" means any payment relating to:

(a) Commodity Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3(b)(ii)(S), the Asian Option – Underlying Commodity/Basket of Underlying Commodities Interest Variable Option or Condition

3(b)(ii)(T), the Asian Option – Commodity Index/Basket of Commodity Indices Interest Variable Option :

(b) Commodity Linked Redemption Notes where sub-paragraph (x)(iii) or sub-paragraph (y)(iii) of the definition of "Redemption Amount" below is applicable;

(c) Commodity Linked Autocall Notes where averaging is applicable to the calculation of the Autocall Redemption Amount under Condition 5(e)(iii)(IV)(b), 5(e)(iii)(V)(c) or 5(e)(iii)(VI); and

(d) any other amounts payable on Commodity Linked Notes to which averaging relates.

"**Bullion Commodity**" means any Commodity specified as a Bullion Commodity in the applicable Final Terms.

"**Calculation Agent Determination**" means that the Calculation Agent will determine the Relevant Price (or method for determining a Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that it deems relevant.

"**Cancellation**" means that the Notes will be redeemed early in accordance with the provisions of Condition 10*(c)*(iii) above.

"**Commodity Business Day**" means, unless otherwise specified in the applicable Final Terms:

(a) in respect of an Underlying Commodity (other than an Underlying Commodity which is specified in the applicable Final Terms to be a Bullion Commodity):

(i) where the Commodity Reference Price for such Underlying Commodity is a price announced or published by an Exchange, any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which that Exchange is open for trading during its regular trading session, notwithstanding that Exchange closing prior to its scheduled closing time; and

(ii) where the Commodity Reference Price for such Underlying 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;

(b) in respect of an Underlying Commodity which is specified in the applicable Final Terms to be a Bullion Commodity, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and New York City or as otherwise specified in the applicable Final Terms;

(c) in respect of a Commodity Index and its Commodity Index Components, a day:

(A) with respect to Commodity Index Components which are Exchange-traded, on which all such Exchanges are (or, but for the occurrence of a Market Disruption Event, would have been) open for trading during their respective regular trading sessions, notwithstanding any such Exchange closing prior to its scheduled closing time; or

(B) with respect to Commodity Index Components which are not Exchange-traded, on which the relevant Price Source published (or, but for the occurrence of a Market Disruption Event, would have published) a closing or other relevant price for such Commodity Index Components.

"**Commodity Business Day Convention**" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Commodity Business Day. The following terms, when used in conjunction with the term "Commodity Business Day Convention" and a date, will mean that an adjustment will be made if that date would otherwise fall on a day that is not a Commodity Business Day so that:

(a) if "Following" is specified, that date will be the first following day that is a Commodity Business Day;

(b) if "Modified Following" or "Modified" is specified, that 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) if "Nearest" is specified, that date will be the first preceding day that is a Commodity Business Day if the relevant date otherwise falls on a day other than a Sunday or a Monday and will be the first following day that is a Commodity Business Day if the relevant date otherwise falls on a Sunday or a Monday; and

(d) if "Preceding" is specified, that date will be the first preceding day that is a Commodity Business Day.

"**Commodity Index**" means, subject to adjustment in accordance with this Condition 10, a commodity index comprising various Commodity Index Components, as specified in the applicable Final Terms.

"**Commodity Index Component**" means, in relation to a Commodity Index and any relevant date:

(i) each of the futures contracts and/or over-the-counter contracts (whether swaps, forwards or otherwise) in relation to each commodity which, as at that date, comprise that Commodity Index or to which that Commodity Index directly or indirectly relates; and

(ii) each commodities index or other asset or reference basis comprising that Commodity Index or to which that Commodity Index relates.

"**Commodity Linked Notes**" means Commodity Linked Interest Notes and Commodity Linked Redemption Notes.

"**Commodity-Reference Dealers**" means, in respect of an Underlying Commodity, that the price for a Valuation Date will be determined on the basis of quotations provided by Reference Dealers on that Valuation Date of that day's Specified Price for a Unit of such Underlying Commodity for delivery on the Delivery Date, if applicable. If four quotations are provided as requested, the price for that Valuation Date will be the arithmetic mean of the Specified Prices for such Underlying Commodity provided by each Reference Dealer, without regard to the Specified Prices having the highest and lowest values. If exactly three quotations are provided as requested, the price for that Valuation Date will be the Specified Price provided by the relevant Reference Dealer that remains after disregarding the Specified Prices having the highest and lowest values. For this purpose, if more than one quotation has the same highest or lowest value, then the Specified Price of one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the price for the Valuation Date cannot be determined.

"**Commodity Reference Price**" means:

(i) in respect of an Underlying Commodity and for the purposes of determining a Relevant Price, the relevant commodity reference price for such Underlying Commodity specified in the applicable Final Terms; and

(ii) in respect of a Commodity Index and for the purposes of determining a Relevant Price, the relevant commodity reference price for such Commodity Index specified in the applicable Final Terms, or if not so specified, the official closing level of such Commodity.

"**Common Pricing**" means, with respect to Notes linked to two or more Commodities and Commodity Reference Prices:

(a) if "Common Pricing" is specified as "Applicable" in the applicable Final Terms, then no date will be a Valuation Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a Valuation Date) are scheduled to be published or announced, as determined on the Trade Date of the Notes as of the Issue Date; or

(b) if "Common Pricing" is specified as "Not Applicable" in the applicable Final Terms, then if the Calculation Agent determines that a Market Disruption Event has occurred or exists on a Valuation Date in respect of any Underlying Commodity and/or Commodity Index (each an "**Affected Commodity**"), the Relevant Price of each Underlying Commodity and/or Commodity Index which is not affected by the occurrence of a Market Disruption Event shall

be determined on the relevant scheduled Valuation 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.

"**Delayed Publication and Announcement**" means that the Relevant Price for a Valuation Date will be determined based on (in the case of a Commodity) the Specified Price or (in the case of a Commodity Index) the price or level of such Commodity Index specified in the Commodity Reference Price in respect of the original day scheduled as such Valuation Date that is published or announced by the relevant Price Source retrospectively on the first succeeding Commodity Business Day on which the Market Disruption Event ceases to exist, unless that Market Disruption Event continues to exist (measured from and including the original day that would otherwise have been the Valuation Date) or the Relevant Price continues to be unavailable for consecutive Commodity Business Days equal in number to the Maximum Days of Disruption. In that case, the next Disruption Fallback specified in the applicable Final Terms will apply.

"**Delivery Date**" means, in respect of a Commodity Reference Price, 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 follows:

(a) if a date is, or a month and year are, specified in the applicable Final Terms, that date or that month and year;

(b) if a Nearby Month is specified in the applicable Final Terms, the month of expiration of the relevant Futures Contract; and

(c) if a method is specified in the applicable Final Terms for the purpose of determining the Delivery Date, the date or the month and year determined pursuant to that method.

"**Disappearance of Commodity Reference Price**" means (A) the permanent discontinuation of trading, in the relevant Futures Contract on the relevant Exchange; (B) the disappearance of, or of trading in, the relevant Underlying 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 relevant Underlying Commodity.

"**Exchange**" means:

(i) in respect of an Underlying Commodity, each exchange or principal trading market for such Underling Commodity specified in the applicable Final Terms; or

(ii) in respect of a Commodity Index and its Commodity Index Components, each exchange or principal trading market (if any) on which each Commodity Index Component is principally traded or quoted, as determined by the Calculation Agent,

or, in any case, any successor to such exchange or principal trading market.

"**Fallback Reference Dealers**" means that the Relevant Price will be determined in accordance with the provisions of Commodity-Reference Dealers.

"**Fallback Reference Price**" means that the Calculation Agent will determine the Relevant Price based on the price for that Valuation Date of the first alternate Commodity Reference Price, if any, specified in the applicable Final Terms and not subject to a Market Disruption Event.

"**Futures Contract**" means, 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, as the case may be, Commodity Index referred to in that Commodity Reference Price.

"**Index Sponsor**" means, in relation to a Commodity Index, the corporation or other entity that is responsible for setting and reviewing the rules and procedures, and the methods of calculation and adjustments, if any, related to such Commodity Index, which as of the Issue Date is the index sponsor specified for such Commodity Index in the applicable Final Terms.

"**Material Change in Content**" means the occurrence since the Trade Date of a material change in the content, composition or constitution of the relevant Underlying Commodity or the relevant Futures Contract.

"**Material Change in Formula**" means the occurrence since the Trade Date of a material change in the formula for or the method of calculating the relevant Commodity Reference Price.

"**Maximum Days of Disruption**" means the number of Commodity Business Days specified in the applicable Final Terms or, if no such number is so specified, five Commodity Business Days.

"**Nearby Month**" when preceded by a numerical adjective, means, in respect of a Delivery Date and a Valuation Date, the month of expiration of the Futures Contract identified by that numerical adjective, so that, for example, (A) "First Nearby Month" means the month of expiration of the first Futures Contract to expire following that Valuation Date and (B) "Second Nearby Month" means the month of expiration of the second Futures Contract to expire following that Valuation Date etc.

"**Postponement**" means, in respect of a Valuation Date, that such Valuation Date will be deemed, for purposes of the application of this Disruption Fallback only, to be the first succeeding Commodity Business Day on which the Market Disruption Event ceases to exist, unless that Market Disruption Event continues to exist (measured from and including the original day that would otherwise have been such Valuation Date) for consecutive Commodity Business Days equal in number to the Maximum Days of Disruption. In that case, the next Disruption Fallback specified in the applicable Final Terms will apply.

"**Price Source**" means:

(i) in respect of an Underlying Commodity, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the applicable Final Terms or any successor; or

(ii) in respect of a Commodity Index and/or a Commodity Index Component, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the closing level or price for such Commodity Index and/or Commodity Index Component (or other relevant level, levels, price or prices, including any level or price from which such level or price is calculated), specified in the applicable Final Terms or any successor.

"**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, (B) the temporary or permanent discontinuance or unavailability of the Price Source or (C) if a Commodity Reference Price is "Commodity-Reference Dealers", the failure to obtain at least three quotations as requested from the relevant Reference Dealers.

"**Redemption Amount**" means, in relation to a Commodity Linked Redemption Note an amount calculated by the Calculation Agent equal to:

where the value of:

$$Calculation\ Amount\ \times MAX\left[Floor\ \%;\left\{MIN\left(Cap\ \%; 1+\left[CRM\ x\ \frac{Reference\ Item_{initial}-(SF\ \times Reference\ Item_{final})}{Reference\ Item_{final}}\right]\right)\right\}\right]$$

(u) Floor % shall be specified in the applicable Final Terms;

(v) Cap % shall be specified in the applicable Final Terms;

(w) "**CRM**" means the Commodity Redemption Multiplier specified in the applicable Final Terms;

(x) Reference $Item_{initial}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $Item_{initial}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 10*(f)*) determined (and subject to adjustment) in accordance with this Condition 10 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $Item_{initial}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 10*(f)*) determined (and subject to adjustment) in accordance with this

Condition 10 in respect of each Valuation Date specified for this purpose in the applicable Final Terms;

(y) Reference $Item_{final}$ shall be:

(i) the amount specified as such in the applicable Final Terms; or

(ii) if Reference $Item_{final}$ Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 10*(f)*) determined (and subject to adjustment) in accordance with this Condition 10 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or

(iii) if Reference $Item_{final}$ Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 10*(f)*) determined (and subject to adjustment) in accordance with this Condition 10 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and

(z) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Commodity Linked Redemption Notes which are represented by a Global Note, the reference to "Calculation Amount" shall be deemed to refer to the aggregate outstanding nominal amount of the Commodity Linked Redemption Notes represented by such Global Note. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

"**Reference Dealers**" means four leading dealers in the relevant market selected by the Calculation Agent.

"**Reference Price**" means:

(i) where the Commodity Linked Notes are specified in the applicable Final Terms to relate to a single Underlying Commodity, the price, which may be expressed as a price per Unit or otherwise, as specified in the applicable Final Terms, of such Underlying Commodity;

(ii) where the Commodity Linked Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Commodities, an amount equal to the sum of the values calculated for each Underlying Commodity multiplied by the relevant Multiplier specified in the applicable Final Terms;

(iii) in the case of a Commodity Index, the price or level of such Commodity Index as specified in the Final Terms; or

(iv) in the case of a Basket of Commodity Indices, an amount equal to the sum of the values calculated for each Commodity Index on that Valuation Date, multiplied by the relevant Multiplier specified in the applicable Final Terms.

"**Relevant Price**" means, in respect of a Valuation Date:

(i) in the case of a Commodity, the price, which may be expressed as a price per Unit or otherwise as specified in the applicable Final Terms, of such Commodity; or

(ii) in the case of a Basket of Underlying Commodities, an amount equal to the sum of the prices calculated for each Underlying Commodity; or

(iii) in the case of a Commodity Index, the price or level of such Commodity Index; or

(iv) in the case of a Basket of Commodity Indices, an amount equal to the sum of the prices calculated for each Commodity Index,

in any case, determined with respect to that day for the relevant Commodity Reference Price.

"**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; (M) the afternoon fixing; (N) the spot price; or (O) any other price specified in the Final Terms.

"**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 to, the relevant Underlying Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority after the Trade Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Valuation Date from what it would have been without that imposition, change or removal.

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

"**Trading Disruption**" means the material suspension of, or the material limitation imposed on, trading in the relevant Futures Contract or the relevant Underlying Commodity on the relevant Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms. For these purposes:

(a) a suspension of the trading in the relevant Futures Contract or the relevant Underlying Commodity on any Commodity Business Day shall be deemed to be material only if:

  (i) all trading in the relevant Futures Contract or the relevant Underlying Commodity is suspended for the entire Valuation Date; or

  (ii) all trading in the relevant Futures Contract or the relevant Underlying Commodity is suspended subsequent to the opening of trading on the Valuation Date, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract or Commodity on such Valuation Date and such suspension is announced less than one hour preceding its commencement; and

(b) a limitation of trading in the relevant Futures Contract or the relevant Underlying Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the relevant Futures Contract or the relevant Underlying Commodity may fluctuate and the closing or settlement price of the relevant Futures Contract or the relevant Underlying Commodity on such day is at the upper or lower limit of that range.

"**Underlying Commodity**" and "**Underlying Commodities**" means the commodity (or commodities) specified as such in the applicable Final Terms.

"**Unit**" means, in respect of an Underlying Commodity, the unit of measure of such Underlying Commodity, as specified in the relevant Commodity Reference Price or the applicable Final Terms, as the case may be.

"**Valuation Date**" means the date or each date specified as such in the applicable Final Terms (or determined pursuant to a method specified for such purpose), such date(s) being subject to the provisions of the Commodity Business Day Convention specified in the applicable Final Terms.

## 11 Fund Linked Notes

If the Notes are Fund Linked Interest Notes in the applicable Final Terms then the provisions of this Condition 11 apply, as applicable, as completed by the applicable Final Terms.

Unless Fund Linked Interest Notes are previously redeemed or purchased and cancelled, if the determination of an Interest Amount is postponed as a result of the occurrence of a Disrupted Day (as defined in Condition 11(c) below) which prevents a Valuation Date falling on its corresponding Scheduled Valuation Date, then payment of any such amount (the "**Fund Linked Affected Amount**") shall be postponed to the date which is the Fund Linked Interest Payment Extension Number (as specified in the applicable Final Terms) of Business

Days following the latest Valuation Date that is necessary to determine such Fund Linked Affected Amount, and such Fund Linked Affected Amount shall be paid without any interest or other sum payable in respect of the postponement of the payment thereof.

*(a) Fund Potential Adjustment Event*

If Fund Potential Adjustment Events are specified as applicable in the applicable Final Terms, then following the declaration by a relevant Fund, or by the relevant Fund Administrator on behalf of such Fund, of the terms of any Fund Potential Adjustment Event, the Calculation Agent will determine whether such Fund Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the relevant Fund Interests and, if so, will (a) either (A) make the corresponding adjustment, if any, to any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or distributions or liquidity (if any) relative to the relevant Fund Interest) or (B) substitute the relevant Fund Interest the subject of the Fund Potential Adjustment Event with a replacement fund interest selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions and/or the applicable Final Terms to account for such substitution and (b) determine the effective date of that adjustment or substitution, as the case may be.

Upon making any such adjustment, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*), stating the adjustment to the relevant Interest Amount and/or Redemption Amount, the Strike Price and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms and giving brief details of the Fund Potential Adjustment Event.

For the purposes of this Condition 11:

"**Fund Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation or reclassification of any relevant Fund Interest or a free distribution or dividend of any such Fund Interests to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution, issue or dividend to existing holders of relevant Fund Interests of (1) an additional amount of such Fund Interests or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of a relevant Fund equally or proportionately with such payments to holders of such Fund Interests or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by a Fund as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants 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;

(iii) an extraordinary dividend as determined by the Calculation Agent;

(iv) a repurchase by a Fund of relevant Fund Interests whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise other than where such repurchase is a redemption of Fund Interests initiated by an investor in such Fund Interests and consistent with the relevant Fund Documents; or

(v) any other event that may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Fund Interests.

*(b) Fund Extraordinary Event*

If a Fund Extraordinary Event occurs in relation to a Fund Interest or the related Fund, Fund Administrator or Fund Adviser, the Issuer, in its sole and absolute discretion may require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Interest Amount and/or any of the other terms of these Conditions of the Notes to account for the relevant Fund Extraordinary Event (which may include, without limitation, delaying any determination until it determines that no Fund Extraordinary Event exists) and determine the effective

date of that adjustment. The relevant adjustments may include, without limitation, the substitution of the Fund Interest the subject of the relevant Fund Extraordinary Event by a replacement Fund Interest selected by the Calculation Agent or, if an appropriate replacement Fund Interest cannot be selected, by an index which covers substantially the same geographical area as the investments in which the Fund, to which the Fund Interest the subject of such an event relates, invests, and taking into account such Fund's investment objectives, selected by the Calculation Agent, and the Calculation Agent shall determine the adjustments, if any, to be made to these Conditions of the Notes to account for such substitution.

Upon the occurrence (if applicable) of a Fund Extraordinary Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) of the Conditions stating the occurrence of the relevant Fund Extraordinary Event(s), giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of this Condition 11:

"**Fund Extraordinary Event**" means the occurrence of each of the following events, as determined by the Calculation Agent:

(i) Nationalisation: "**Nationalisation**" means that all the Fund Interests or all or substantially all the assets of a Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

(ii) Insolvency: "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Fund, (x) all the Fund Interests of that Fund are required to be transferred to a trustee, liquidator or other similar official or (y) holders of the Fund Interests of that Fund become legally prohibited from transferring or redeeming them;

(iii) Fund Insolvency Event: "**Fund Insolvency Event**" means a Fund or any other entity related to the Fund (A) is dissolved or has a resolution passed for its dissolution, winding-up or official liquidation (other than pursuant to a consolidation, amalgamation or merger); (B) makes a general assignment or arrangement with or for the benefit of its creditors; (C) (x) 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, 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 (y) 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 clause (x) above and either (1) 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 (2) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (D) 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; (E) 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 (F) 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 paragraphs (E) and (F) above;

(iv) NAV Trigger Event: "**NAV Trigger Event**" means that (x) the aggregate net asset value of a Fund has decreased by an amount equal to or greater than 30 per cent. since the Trade Date or, in respect of a Replacement Fund Interest, the relevant replacement date; or (y) a Fund has violated any leverage restriction that is applicable to, or affecting, it 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 relevant Fund Documents or any contractual restriction binding on or affecting the Fund or any of its assets;

(v) Adviser Resignation Event: "**Adviser Resignation Event**" means the resignation, termination of appointment, or replacement of a Fund's Fund Adviser;

(vi) Fund Modification: "**Fund Modification**" means any change or modification of the relevant Fund Documents that could reasonably be expected 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) from those prevailing on the Trade Date or, in respect of a Replacement Fund Interest, the relevant replacement date;

(vii) Strategy Breach: "**Strategy Breach**" means any breach or violation of any strategy or investment guidelines stated in the relevant Fund Documents 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);

(viii) Regulatory Action: "**Regulatory Action**" means (x) the cancellation, suspension or revocation of the registration or approval of a Fund Interest or the related Fund by any governmental, legal or regulatory entity with authority over such Fund Interest or Fund, (y) any change in the legal, tax, accounting, or regulatory treatments of a Fund or its Fund Adviser that is reasonably likely to have an adverse impact on the value of the related Fund Interest or on any investor therein (as determined by the Calculation Agent), or (z) a Fund or any of its Fund Administrator or Fund Adviser becoming subject to 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 Fund, Fund Administrator or Fund Adviser;

(ix) Reporting Disruption: "**Reporting Disruption**" means (x) occurrence of any event affecting a Fund Interest that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest in respect of a Scheduled Fund Valuation Date, and such event continues for at least two consecutive Scheduled Fund Valuation Dates be; (y) any failure of a Fund to deliver, or cause to be delivered, (A) information that such Fund has agreed to deliver, or cause to be delivered to the Calculation Agent, including, but not limited to, information to determine the occurrence of a Fund Extraordinary Event and the annual audited financial report and semi-annual financial report, if any, in relation to the related Fund Interests, or (B) information that has been previously delivered to the Calculation Agent, in accordance with such Fund's, or its authorised representative's, normal practice and that the Calculation Agent deems necessary to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the related Fund Interests; or

(x) Fund Administrator Disruption: "**Fund Administrator Disruption**" means any event or circumstances compromising the independence of a Fund Administrator performing services for a Fund from the relevant Fund Adviser.

*(c) Disrupted Day*

(i) In the event that either the Trade Date or any Valuation Date is a Disrupted Day which does not relate to an Averaging Payment, then Valuation Date shall be the earlier of (A) the first succeeding Scheduled Fund Valuation Date which is not a Disrupted Day and (B) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date then the Calculation Agent shall determine its good faith estimate of the net asset value for the Fund Interest for that Valuation Cut-Off Date, notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the above, the Calculation Agent may also determine that a Fund Extraordinary Event has occurred.

(ii) In the event that any Valuation Date which relates to an Averaging Payment is a Disrupted Day, then the Valuation Date shall be such date as is determined in accordance with Condition 11(d) below.

A "**Disrupted Day**" means either the Trade Date or a Valuation Date, as applicable on which any of the following events occurs, as determined by the Calculation Agent, if the Calculation Agent determines any such event is material:

(i) Fund Valuation Disruption: "Fund Valuation Disruption" means the failure of a Scheduled Fund Valuation Date in respect of a Fund Interest to be a Fund Valuation Date in respect of such Fund Interest; and

(ii) Fund Settlement Disruption: "Fund Settlement Disruption" means a failure by a Fund on any day to pay the full amount (whether expressed as a percentage or otherwise) of any fund redemption proceeds with respect to any Fund Interest scheduled to have been paid on or by such day according to the relevant Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting such Fund to delay or refuse redemption of Fund Interests).

*(d) Consequences of Disrupted Days: Averaging Payments*

(i) Where the Notes are specified in the applicable Final Terms to relate to a single Fund Interest, the Calculation Agent determines that any Valuation Date in respect of an Averaging Payment is a Disrupted Day, then:

(A) if "Omission" is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Averaging Payment in respect of such Valuation Date, provided that if through the operation of this provision there would not be any Valuation Date in respect of such Averaging Payment, then the sole Valuation Date shall be the earlier of (A) the first succeeding Scheduled Fund Valuation Day following the Scheduled Fund Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date;

(B) if "Postponement" is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Scheduled Fund Valuation Day following the Scheduled Fund Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 11(*d*)(i)(B) shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or

(C) if "Modified Postponement" is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Valid Date following the Scheduled Valuation Date and (B) the Valuation Cut-Off Date, irrespective of whether the Valuation Cut-Off Date falls on a day that already is or is deemed to be a Valuation Date.

(ii) Where the Notes are specified in the applicable Final Terms to relate to a Basket of Fund Interests, if the Calculation Agent determines that any Valuation Date in respect of a Valuation Date for an Averaging Payment is a Disrupted Day in respect of any Fund Interest, then:

(A) if "Omission" is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a Valuation Date in respect of any Fund Interest in respect of such Valuation Date, provided that, if through the operation of this provision there would not be any Valuation Date in respect of such Averaging Payment, then:

(i) the sole Valuation Date for each Fund Interest in respect of which the final Valuation Date is not a Disrupted Day shall be the final Valuation Date; and

(ii) the sole Valuation Date for each Fund Interest in respect of which the final Valuation Date is a Disrupted Day (each such Underlying Fund, an "**Affected Fund**") shall be the earlier of (I) the first succeeding Scheduled Fund Valuation Day following the Scheduled Fund Valuation Date that is not a Disrupted Day in respect of such Affected Fund and (II) the Valuation Cut-Off Date for such Affected Fund;

(B) if "Postponement" is specified to be applicable in the applicable Final Terms, then:

(i) the Valuation Date for each Fund Interest in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and

(ii) the Valuation Date for each Fund Interest in respect of which the Valuation Date is a Disrupted Day (each such Fund Interest, an "**Affected Fund**") shall be the earlier of (I) the first succeeding Scheduled Fund Valuation Day following the Scheduled Fund Valuation Date that is not a Disrupted Day in respect of such Affected Fund and (II) the Valuation Cut-Off Date for such Affected Fund. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 11(*B*)(ii) shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or

(C) if "Modified Postponement" is specified to be applicable in the applicable Final Terms then:

(i) the Valuation Date for each Fund Interest in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and

(ii) the Valuation Date for each Fund Interest in respect of which the Valuation Date is a Disrupted Day (each such Fund Interest, an "**Affected Fund**") shall be the earlier of (I) the first Valid Date following the Valuation Date in respect of such Affected Fund and (II) the Valuation Cut-Off Date for such Affected Fund, irrespective of whether the Valuation Date falls on a day that already is or is deemed to be a Valuation Date.

*(e) Definitions applicable to Fund Linked Notes*

For the purposes of this Condition 11:

"**Averaging Payment**" means any payment relating to:

(a) Fund Interest Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3(*b*)(ii)(W), the Asian Option – Underlying Fund Interest/Basket of Underlying Fund Interests Variable Option; and

(b) any other amounts payable on Fund Interest Linked Notes to which averaging relates.

"**Fund**" means each fund specified in the applicable Final Terms.

"**Fund Administrator**" means the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for a Fund according to the relevant Fund Documents.

"**Fund Adviser**" means 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 adviser).

"**Fund Documents**" means the constitutive and governing documents, subscription agreements and other agreements of a Fund specifying the terms and conditions relating to the related Fund Interest, as amended from time to time.

"**Fund Interest**" means each fund interest specified in the applicable Final Terms.

"**Fund Linked Notes**" means Fund Linked Interest Notes.

"**Fund Service Provider**" means any person who is appointed to provide services, directly or indirectly, to a Fund, whether or not specified in the relevant Fund Documents, including without limitation any Fund Administrator, Fund Adviser, operator, management company, depositary, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent or domiciliary agent.

"**Fund Valuation Date**" means a date as of which a Fund (or its Fund Service Provider that generally determines such value) determines and publishes the value of the related Fund Interest.

"**Hypothetical Investor**" means a hypothetical or actual investor (as determined by the Calculation Agent in the context of the relevant situation) in Fund Interests which is deemed to have the benefits and obligations, as provided in the relevant Fund Documents, of an investor holding Fund Interests at the relevant time. The Hypothetical Investor may be deemed by the Calculation Agent to be resident or organised in any jurisdiction, and to be, without limitation, the Issuer, the Calculation Agent or any of their Affiliates (as determined by the Calculation Agent in the context of the relevant situation).

"**Reference Price**" means, in relation to a Valuation Date and a Fund Interest or a Basket of Fund Interests, an amount determined by the Calculation Agent as provided in the applicable Final Terms.

"**Scheduled Fund Valuation Date**" means, in respect of a Fund Interest, a date as of which the related Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to the relevant Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting such Fund to delay or refuse redemption of Fund Interests), to determine and publish the value of the related Fund Interest.

"**Trade Date**" means the date specified in the applicable Final Terms, subject to adjustment in accordance with Condition 11(*c*).

"**Valid Date**" means a Scheduled Fund Valuation Day that is not a Disrupted Day and on which another Valuation Date does not or is not deemed to occur.

"**Valuation Cut-Off Date**" means the date which falls one calendar year following the Scheduled Valuation Date.

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

"**Valuation Date**" means each date specified as such in the applicable Final Terms, subject to adjustment in accordance with Condition 11(*c*) and (*d*), as applicable, above.

## 12 Credit Linked Notes

If the Notes are specified as Credit Linked Notes in the applicable Final Terms then the provisions of Annex 1 (*Credit Linked Conditions*) of these Terms and Conditions shall apply, as applicable, as completed by the applicable Final Terms.

Unless otherwise stated in Annex 1 (*Credit Linked Conditions*) or in the applicable Final Terms, in the event that any day specified in the section "*Credit Linked Notes*" in 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.

## 13 Additional Disruption Events and Alternative Currency Provisions

(a) Additional Disruption Events

If Additional Disruption Events are specified as applicable in the applicable Final Terms, then if an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in Condition 13*(a)*(i) or (ii) below:

(i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Interest Amount and/or the Reference $\text{Item}_{\text{initial}}$ and/or the Reference $\text{Item}_{\text{final}}$ and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or

(ii) give notice to the Noteholders in accordance with Condition 20 (*Notices*) and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

(b) Definitions applicable to Additional Disruption Events

"**Additional Disruption Event**" means any of (A) Change in Law, (B) Hedging Disruption, (C) Increased Cost of Hedging, (D) Increased Cost of Stock Borrow (applicable only for Equity Linked Notes and Index Linked Notes), (E) Insolvency Filing (applicable only for Equity Linked Notes and Index Linked Notes), (F) Loss of Stock Borrow (applicable only for Equity Linked Notes and Index Linked Notes), (G) ETF Cross-contamination (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (H) ETF Insolvency Event (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (I) ETF Modification (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (J) ETF Regulatory Action (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity) and/or (K) ETF Strategy Breach (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), in each case if specified in the applicable Final Terms.

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

"**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 that (X) it has become illegal to hold, acquire or dispose of any relevant Underlying Equity (in the case of Equity Linked Notes), any relevant security comprised in an Index (in the case of Index Linked Notes), any relevant Fund Interest (in the case of Fund Linked Notes), any relevant commodity with respect to the Notes (in the case of Commodity Linked Notes), any relevant currency with respect to the Notes (in the case of Currency Linked Notes), any relevant asset with respect to the Inflation Index (in the case of Inflation Linked Notes) or any relevant Reference Obligation (in the case of Credit Linked Notes) or (Y) the Issuer will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

"**ETF Cross-contamination**" means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), the occurrence of a cross-contamination or other failure to segregate effectively assets between different classes, series or sub-funds of such ETF, and such event continues, in the determination of the Calculation Agent, for the foreseeable future.

"**ETF Insolvency Event**" means, in respect of an ETF Share, that the ETF Issuer of such ETF Share (each as defined in Condition 7) or any other entity specified in the applicable Final Terms as an "ETF Insolvency Entity" (a) is dissolved or has a resolution passed for its dissolution, winding up, official liquidation (other than pursuant to a consolidation, amalgamation or merger), (b) makes a general assignment or arrangement with or for the benefit of its creditors, (c)(i) 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, 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 (ii) 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 clause (i) above and either (A) 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 (B) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof, (d) 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, (e) 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 fifteen days thereafter, or (f) 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 (a) through (e) above.

"**ETF Modification**" means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), any change or modification of the ETF Documents (as defined in Condition 7) of such ETF which could reasonably be expected to affect (a) the value of such ETF Share, or (b) the rights or remedies of any holder of any ETF Share as compared with those rights and remedies prevailing on the Trade Date, in each case, as determined by the Calculation Agent.

"**ETF Strategy Breach**" means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), any breach or violation of any strategy or investment guidelines stated in the ETF Documents (as defined in Condition 7) of such ETF in respect of such ETF Share which is reasonably likely, in the determination of the Calculation Agent, to affect (a) the value of such ETF Share, or (b) the rights or remedies of any holder of any such ETF Share as compared with those rights or remedies prevailing on the Trade Date.

"**ETF Regulatory Action**" means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), (a) the cancellation, suspension, revocation of the registration or approval of such ETF or such ETF Share by any governmental, legal or regulatory entity with authority over such ETF or such ETF Share, (b) any change in the legal, tax, accounting or regulatory treatment of such ETF Share, such ETF or its ETF Adviser (as defined in Condition 7) which is reasonably likely, in the determination of the Calculation Agent, to have an adverse impact on the value of such ETF Share or on any investor in such ETF Share, or (c) such ETF or any of its ETF Administrator (as defined in Condition 7) or its ETF Adviser becomes subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activity relating to or resulting from the operation of such ETF, ETF Administrator or ETF Adviser.

"**Hedging Disruption**" means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk (in the case of Equity Linked Notes), the commodity price risk (in the case of Commodity Linked Notes), the currency rate risk (with respect to Currency Linked Notes), the price risk related to any security comprised in an Index (in the case of Index Linked Notes), the price risk of any relevant asset with respect to an Inflation Index (in the case of Inflation Linked Notes) the price risk of any relevant Reference Obligation (in the case of Credit Linked Notes) or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), including, in the case of Fund Linked Notes only, without limitation, where such inability or impracticability has arisen by reason of (x) any restrictions or increase in charges or fees imposed by a Fund on an investor's ability to redeem the related 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 (y) any mandatory redemption, in whole or in part, of a Fund Interest imposed by a related Fund (in each case other than any restriction in existence on the Trade Date or, in respect of a Replacement Fund Interest, the relevant replacement date).

"**Hedging Shares**" means the number of Underlying Equities (in the case of Equity Linked Notes) or securities comprised in an Index (in the case of Index Linked Notes) that the Calculation Agent deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.

"**Increased Cost of Hedging**" means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk (in the case of Equity Linked Notes), the commodity price risk (in the case of Commodity Linked Notes), the currency rate risk (with respect to Currency Linked Notes), the price risk related to

any security comprised in an Index (in the case of Index Linked Notes), the price risk of any relevant asset with respect to an Inflation Index (in the case of Inflation Linked Notes), the price risk of any relevant Reference Obligation (in the case of Credit Linked Notes) or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

"**Increased Cost of Stock Borrow**" means that the Issuer and/or any of its Affiliates would incur a rate to borrow any Underlying Equity (in the case of Equity Linked Notes) or any security comprised in an Index (in the case of Index Linked Notes) that is greater than the Initial Stock Loan Rate.

"**Initial Stock Loan Rate**" means, in respect of an Underlying Equity (in the case of Equity Linked Notes) or a security comprised in an Index (in the case of Index Linked Notes), the Initial Stock Loan Rate specified in relation to such Underlying Equity or security in the applicable Final Terms.

"**Insolvency Filing**" means that an Equity Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a 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 Equity Issuer shall not be deemed an Insolvency Filing.

"**Loss of Stock Borrow**" means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Underlying Equity (in the case of Equity Linked Notes) or any securities comprised in an Index (in the case of Index Linked Notes) in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

"**Maximum Stock Loan Rate**" means, in respect of an Underlying Equity (in the case of Equity Linked Notes) or a security comprised in an Index (in the case of Index Linked Notes), the Maximum Stock Loan Rate specified in the applicable Final Terms.

(c) Alternative Currency Provisions

If the Alternative Currency Provisions are specified to be applicable in the applicable Final Terms, then if the Issuer in agreement with the Calculation Agent determines that it would be commercially impracticable for the Issuer to satisfy any payment obligation in respect of the Notes when due in the Specified Currency as a result of a Specified Currency Disruption Event, then the Issuer in its sole and absolute discretion may take any one or more of the actions described in Conditions 13*(c)*(i), (ii) and/or (iii) below:

(i) determine that the relevant payment obligation of the Issuer in respect of the Notes be postponed to a later date when the relevant Specified Currency Disruption Event has ceased to exist (in the determination of the Calculation Agent), provided that such payment obligation will not be postponed beyond the date falling the Maximum Alternative Currency Number (as specified in the applicable Final Terms) of Business Days after the original due date (such date, the "**Postponement Longstop Date**"), in which case the relevant payment will be due on the date as so postponed, without any Interest Amount or other sum payable in respect of the postponement of the payment of such amount;

(ii) determine that the Issuer's obligation to make any payment in respect of the Notes in the Specified Currency, whether or not previously postponed in accordance with Conditions 10(c)(i) above, be replaced by an obligation to make payment of the Alternative Currency Equivalent of such payment, in which case, it will settle any such obligation by payment of the relevant Alternative Currency Equivalent not later than the Postponement Longstop Date; or

(iii) give notice to the Noteholders in accordance with Condition 20 (*Notices*) and redeem all, but not some only, of the Notes on a date selected by the Issuer by payment of the Alternative Currency Equivalent of, or, if so specified in such notice, an amount in the Specified Currency equal to, the Early Redemption Amount to each Noteholder in respect of each Note held by

such Noteholder. Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 20 (*Notices*).

Any payment made in the Alternative Currency under such circumstances will constitute valid payment, and will not constitute a default in respect of the Notes.

Upon the occurrence of a Specified Currency Disruption Event and the Issuer in agreement with the Calculation Agent making a determination that such Specified Currency Disruption Event makes it commerciality impracticable for the Issuer to satisfy its payment obligations in respect of the Notes when due in the Specified Currency, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 20 (*Notices*) stating the occurrence of the Specified Currency Disruption Event, giving details thereof and the action proposed to be taken in relation thereto. Where the Issuer determines to take further action in accordance with Conditions 13*(c)*(i) to (iii), a further notice shall be given to Noteholders as soon as reasonably practicable in accordance with Condition 20 (*Notices*).

In making any determination in respect of any Specified Currency Disruption Event, neither the Issuer nor the Calculation Agent shall have regard to any interest arising from circumstances particular to any one or more Noteholders (whatever their number), and, in particular, but without limitation, shall not have regard to the consequences of any such determination for any one or more Noteholders (whatever their number), resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and no Noteholder shall be entitled to claim, from the Issuer or the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences or other losses of any such determination upon any Noteholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 13*(c)* by the Issuer or the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

(d) Definitions applicable to the Alternative Currency Provisions

"**1998 ISDA FX Definitions**" means the 1998 ISDA FX and Currency Option Definitions, as published by the International Swaps and Derivatives Association, Inc., and in respect of the Notes, as amended and supplemented up to and including the Issue Date of the first Tranche of the Notes.

"**AC Rate Calculation Date**" means the date specified as such in the applicable Final Terms.

"**AC Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the AC Rate Calculation Jurisdiction(s).

"**AC Rate Calculation Date**" means the day which is the number of AC Rate Calculation Business Days specified in the relevant Final Terms before the due date for payment of the relevant amount under the Notes or, if the relevant Alternative Currency FX Rate is not available on such day, the last preceding AC Rate Calculation Business Day on which the relevant Alternative Currency FX Rate was most recently available, as determined by the Calculation Agent.

"**AC Rate Calculation Jurisdiction(s)**" means the jurisdiction(s) that are relevant for determining whether a day is an AC Rate Calculation Business Day, as specified in the relevant Final Terms.

"**AC USD Rate Calculation Date**" means the date specified as such in the applicable Final Terms.

"**AC USD Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the AC USD Rate Calculation Jurisdiction(s).

"**AC USD Rate Calculation Date**" means the day which is the number of AC USD Rate Calculation Business Days specified in the relevant Final Terms before the due date for payment of the relevant amount under the Notes or, if the relevant Alternative Currency USD FX Rate is not available on such day, the last preceding AC USD Rate Calculation Business Day on which the relevant Alternative Currency USD FX Rate was most recently available, as determined by the Calculation Agent.

"**AC USD Rate Calculation Jurisdiction(s)**" means the jurisdiction(s) that are relevant for determining whether a day is an AC USD Rate Calculation Business Day, as specified in the relevant Final Terms.

"**Alternative Currency**" means the currency specified as such in the relevant Final Terms (or any lawful successor currency to that currency).

"**Alternative Currency Equivalent**" means, (i) where the Alternative Currency is U.S. dollars, in respect of an amount denominated in the Specified Currency, such amount converted into the Alternative Currency using the Alternative Currency FX Rate for the relevant Rate Calculation Date, all as determined by the Calculation Agent, and (ii) where the Alternative Currency is a currency other than U.S. dollars, in respect of an amount denominated in the Specified Currency, such amount converted into the Alternative Currency by converting such amount into an amount expressed in U.S. dollars using the Alternative Currency FX Rate for the relevant Rate Calculation Date, and multiplying the resultant U.S. dollar amount by the Alternative Currency USD FX Rate for the relevant Rate Calculation Date, all as determined by the Calculation Agent.

"**Alternative Currency FX Rate**" means, either:

(i) if "ISDA Determination" is specified to be applicable in the applicable Final Terms, the Spot Rate or Settlement Rate (as applicable) that would be determined by the Calculation Agent under an FX Transaction governed by an ISDA Master Agreement which incorporates the 1998 ISDA FX Definitions and under which:

  (a) the Settlement Rate Option is as specified in the relevant Final Terms; and

  (b) the Rate Calculation Date is the applicable Rate Calculation Date; or

(ii) if "Calculation Agent Determination" is specified to be applicable in the applicable Final Terms, the currency exchange rate at the Valuation Time on the AC Rate Calculation Date for foreign exchange transactions of the Specified Currency into U.S. dollars as determined by the Calculation Agent in good faith and in a commercially reasonable manner, taking into consideration all available information that it deems relevant.

For the purposes of these Alternative Currency Conditions, "FX Transaction", "Rate Calculation Date", "Settlement Rate", "Settlement Rate Option" and "Spot Rate" have the meanings given to them in the 1998 ISDA FX Definitions.

"**Alternative Currency USD FX Rate**" means, either:

(i) if "ISDA Determination" is specified to be applicable in the applicable Final Terms, the Spot Rate or Settlement Rate (as applicable) that would be determined by the Calculation Agent under an FX Transaction governed by an ISDA Master Agreement which incorporates the 1998 ISDA FX Definitions and under which:

  (a) the Settlement Rate Option is as specified in the relevant Final Terms; and

  (b) the Rate Calculation Date is the applicable Rate Calculation Date; or

(ii) if "Calculation Agent Determination" is specified to be applicable in the applicable Final Terms, the currency exchange rate at the Valuation Time on the AC USD Rate Calculation Date for foreign exchange transactions of U.S. dollars into the Alternative Currency as determined by the Calculation Agent in good faith and in a commercially reasonable manner, taking into consideration all available information that it deems relevant.

For the purposes of these Alternative Currency Conditions, "FX Transaction", "Rate Calculation Date", "Settlement Rate", "Settlement Rate Option" and "Spot Rate" have the meanings given to them in the 1998 ISDA FX Definitions.

"**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 the Specified Currency Jurisdiction.

"**Illiquidity**" means (i) in respect of any payment obligation in respect of the Notes, foreign exchange markets for the Specified Currency becoming illiquid (including, without limitation, the existence of any significant price distortion) or unavailable as a result of which it is impossible or commercially impracticable for the Issuer and/or any of its Affiliates to obtain a sufficient amount of the Specified Currency in order to satisfy any such obligation or (ii) it becomes impossible or commercially impracticable to obtain a firm quote for exchange of the Specified Currency into the Alternative Currency.

"**Inconvertibility**" means, in respect of any payment or obligation in respect of the Notes, the occurrence of any event that makes it impossible, illegal or commercially impracticable for the Issuer and/or any of its Affiliates to convert any amount due in respect of the Notes in the foreign exchange markets for the Specified Currency (including, without limitation, any event that has the direct or indirect effect of hindering, limiting or restricting convertibility by way of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on repatriation of one currency into another currency) other than where such impossibility, illegality or impracticability is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible or commercially impracticable for the Issuer and/or any of its Affiliates, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-Transferability**" means, in respect of any payment obligation in respect of the Notes, the occurrence of any event that makes it impossible or commercially impracticable for the Issuer and/or any of its Affiliates to deliver the Specified Currency in relation to any such payment obligation between accounts inside the Specified Currency Jurisdiction or between an account inside the Specified Currency Jurisdiction and an account outside the Specified Currency Jurisdiction, other than where such impossibility or impracticability is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible or commercially impracticable for the Issuer and/or any of its Affiliates, due to an event beyond its control, to comply with such law, rule or regulation).

"**Rate Calculation Date**" means an AC Rate Calculation Date or an AC USD Rate Calculation Date;

"**Specified Currency Disruption Event**" means, in respect of the Specified Currency:

(i) Inconvertibility;

(ii) Non-Transferability;

(iii) Illiquidity; and

(iv) the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Issuer deems necessary to hedge the currency risk of the Issuer issuing and performing its obligations with respect to the Notes or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

"**Specified Currency Jurisdiction**" means the primary jurisdiction for which the Specified Currency is the lawful currency.

## 14 Taxation

*(a) Tax Gross-Up*

If Condition 14*(a)* is specified as applicable in the applicable Final Terms, all payments of principal and/or Interest Amounts in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other charges of whatever nature imposed, levied or collected by or on behalf of any Tax Jurisdiction, 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 Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall

equal the respective amounts of principal and Interest Amounts which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(i) the Noteholder, Receiptholder or Couponholder of which is liable for such taxes, duties, assessments or other charges in respect of such Note, Receipt or Coupon by reason of his having some connection with any Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(ii) presented for payment in any Tax Jurisdiction; or

(iii) presented for payment by, or on behalf of, a Noteholder who would be able to avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so; or

(iv) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or

(v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vi) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding (i) imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**") or (ii) imposed pursuant to Sections 1441 through 1446 of the Code (or any regulations thereunder or official interpretations thereof) as a result of the application of the provisions of Section 871(m) of the Code or any regulations thereunder, or any successor or substitute legislation or provision of law ("**871(m) Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding or 871(m) Withholding.

As used herein,

(i) "**Tax Jurisdiction**" means (i) any jurisdiction under the laws of which, in respect of payments by the Issuer, the Issuer or, in respect of payments by the Guarantor, the Guarantor, or any successor thereto, is organised or (ii) any jurisdiction in which the Issuer or the Guarantor (as applicable), or any successor thereto, is resident for tax purposes; and

(ii) 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 Agent 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 Noteholders in accordance with Condition 20 (*Notices*).

*(b) No Tax Gross-Up*

If Condition 14*(b)* is specified as applicable in the applicable Final Terms, 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, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer or, as the case may be, the Guarantor

shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

## 15 Prescription

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or Interest Amounts are made within a period of 10 years (in the case of principal) and five years (in the case of Interest Amounts) after the Relevant Date (as defined in Condition 14*(a)*) 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 Condition or Condition 4*(b)* or any Talon which would be void pursuant to Condition 4*(b)*.

## 16 Events of Default

If any of the following events (each an "**Event of Default**") should occur, the holder of this Note may, upon written notice of acceleration to the Agent, cause such Note to become due and payable at par (as described in Condition 5*(a)*), together with accrued interest thereon to the date of repayment, as of the date on which said notice of acceleration is received by the Agent, unless prior to such date the Issuer or the Guarantor, as the case may be, shall have cured or otherwise made good such Event of Default in respect of the Notes:

(i) default by the Issuer in the payment when due of the principal of or Interest Amounts on any of the Notes in respect of any Note or the delivery when due of any other amount in respect of any Note and the continuance of any such default for a period of 30 days after the due date; or

(ii) the Issuer shall fail duly to perform or observe any other term, covenant or agreement contained in the Notes or the Guarantor shall fail to perform or observe any other term, covenant or agreement contained in the Guarantee relating to the Notes, in either case for a period of 90 days after the date on which written notice of such failure, requiring the Issuer or the Guarantor, as the case may be, to remedy the same, shall first have been given to the Agent by the holder of any Note at the time outstanding; or

(iii) an order is made or an effective resolution passed for winding up the Issuer or the Guarantor except for the purpose of a reconstruction or amalgamation and 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 Notes) or the Guarantor (including its obligations under the Guarantee); or

(iv) the Issuer or the Guarantor shall be unable to pay its debts or becomes insolvent or bankrupt or the Guarantor applies for a "*gerechtelijke reorganisatie*" or "*faillissement*" or any similar procedure shall be initiated in respect of the Issuer or the Guarantor unless it is being contested in good faith by the Issuer or the Guarantor, as the case may be; or

(v) a distress, execution or other process is levied or enforced upon or sued out against all or any material part of the property of the Issuer or the Guarantor unless it is removed, discharged or paid out within 60 days or is being contested in good faith by the Issuer or the Guarantor, as the case may be.

## 17 Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 18 Agent, Paying Agents and Calculation Agent Provisions

*(a) Agent and Paying Agent*

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(ii) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated;

(iii) there will at all times be an Agent; and

(iv) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, save to the extent that such requirement is met by virtue of (ii) above.

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 the second paragraph of Condition 4*(d)*. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 20 (*Notices*).

*(b) Calculation Agent Provisions*

Whenever the Calculation Agent is required to act or exercise judgement, 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 Conditions, notify the Issuer, the Guarantor and the Noteholders of such determination. The Calculation Agent is not acting as a fiduciary for or as an advisor to the Noteholders in respect of its duties as Calculation Agent in connection with any Notes.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to these Conditions shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Noteholders. In performing its duties pursuant to the Notes, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent, 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.

## 19 Exchange of Talons

On and after the Interest Period End 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 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 Amounts due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 15.

## 20 Notices

All notices regarding the Notes will be deemed to be validly given if published (i) if and for so long as the Notes are listed on the Luxembourg Stock Exchange, either in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange, www.bourse.lu, or (ii), in the case of Notes not listed on a stock exchange, in a daily newspaper of general circulation in such place or places as the Issuer may deem appropriate. It is expected that such publication will be made either in the *Luxemburger*

*Wort* or the *Tageblatt* in Luxembourg or on the website of the Luxembourg Stock Exchange, www.bourse.lu. 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 other relevant authority) on which the Notes are for the time being admitted to trading. Any such notice will be deemed to have been given on the date of the first publication in accordance with the above provisions.

Until such time as Definitive Notes are issued, there may, so long as any Global Note(s) representing the Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s), the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange or any other applicable regulations so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or in such other manner as may be permitted by those rules. In the case of Notes listed on the Luxembourg Stock Exchange, it is expected that such publication will be made either in the *Luxemburger Wort* or the *Tageblatt* in Luxembourg or on the website of the Luxembourg Stock Exchange, www.bourse.lu. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## 21 Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Guarantee, the Deed of Covenant or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting, will be one or more persons holding or representing a majority in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of Interest Amounts thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting, one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Agency Agreement contained by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll or (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the principal amount of the Notes for the time being outstanding, all as more fully described in the Agency Agreement, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Noteholders or pursuant to a resolution in writing shall be binding on all the Noteholders, whether or not they vote on such resolution, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(i) any modification (except such modifications in respect of which an increased quorum is required, as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Guarantee or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 20 (*Notices*) as soon as practicable thereafter.

## 22 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders, or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of Interest Amounts thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## 23 Contracts (Rights of Third Parties) Act 1999

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

## 24 Governing Law and Submission to Jurisdiction

(a) The Agency Agreement, the Notes (except Condition 2*(c)*), the Guarantee (except Clause 6), the Receipts and the Coupons (and, in each case, any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, English law. Condition 2*(c)* of the Notes, Clause 6 of the Guarantee and any non contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, Belgian law. The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded.

(b) The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons (including, in each case, any dispute relating to any non-contractual obligations arising therefrom or in connection therewith) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons (including, in each case, any Proceedings relating to any non-contractual obligation arising therefrom or in connection therewith) may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer appoints the Guarantor at its London branch at 111 Old Broad Street, London EC2N 1BR as its agent for service of process for Proceedings in England, and undertakes that, in the event of the Guarantor ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

# ANNEX 1 - Credit Linked Conditions

## PART A: Overview

*The following section answers some questions that prospective investors might have regarding the Credit Linked Notes, in general terms only. It does not contain all the information which may be important to prospective investors, and is not intended to be a substitute for nor a summary of the Conditions of the Credit Linked Notes. Any decision to invest in the Credit Linked Notes should only be made after careful consideration of this Base Prospectus and the Conditions (including the Credit Linked Conditions), as completed by the relevant Final Terms. In addition, prospective investors should consult with their investment, legal, accounting, tax and other advisors with respect to any investment in the Credit Linked Notes.*

*Capitalised terms in relation to the following questions and answers shall have the meaning given to them in the Credit Linked Conditions.*

***What are Credit Linked Notes?***

Credit Linked Notes are debt securities, the value of which is linked to the credit risk of one or more Reference Entities. The amount of interest and principal which investors will receive on the Credit Linked Notes is dependent on whether certain Credit Events occur in respect of any relevant Reference Entity to which the Credit Linked Notes are linked.

In purchasing the Credit Linked Notes, investors are assuming credit risk exposure to each Reference Entity (and possible successors thereof). A Credit Linked Note is broadly intended to give the investor access to a credit default swap referencing certain Reference Entit(y)(ies) in funded format. Therefore, many of the features and risks applicable to a market standard credit default swap referencing the relevant Reference Entit(y)(ies) will be equally applicable to the Credit Linked Notes.

***What is credit risk?***

Credit risk with respect to a Reference Entity is the risk that the Reference Entity fails to perform its obligations under certain types of transactions of the Reference Entity. This is generally (but not exclusively) as a result of a deterioration in its financial condition.

For the Credit Linked Notes, the credit risk is in relation to a broad range of transactions of one or more Reference Entities, and may extend to any borrowed money obligations of the Reference Entity. Borrowed money obligations would include any loan agreements entered into by the Reference Entity and any debt securities issued by the Reference Entity.

***What is the difference between the Credit Linked Notes and an ordinary debt security?***

The Credit Linked Notes are similar to an ordinary debt security in that they provide the investor with a regular stream of interest payments (other than in the case of zero coupon Credit Linked Notes) and the return of par on maturity in the ordinary course. However, the Credit Linked Notes have the added feature not present in ordinary debt securities of an exposure to the credit risk of one or more Reference Entities. If a Credit Event occurs in relation to a Reference Entity, an investor may lose all or part of its investment in the Credit Linked Notes.

The amount of interest and principal which an investor receives will depend on whether a Credit Event occurs with respect to any Reference Entity and whether an Event Determination Date occurs as a result. If no Event Determination Date has occurred then the Credit Linked Notes will be redeemed at the Outstanding Aggregate Nominal Amount on the Maturity Date. If an Event Determination Date occurs, unless Credit Payment on Maturity applies, the Applicable Proportion of the Credit Linked Notes will be redeemed early at the relevant Redemption Amount (which is likely to be less than the par value of the Credit Linked Notes and may even be zero) (see further and "*What are Noteholders paid if the Credit Linked Notes redeem early due to the occurrence of a Credit Event?*" below), with no further payment of principal on the Applicable Proportion of the Credit Linked Notes (see further "*What is an Event Determination Date?*" and "*What are Noteholders paid if the Credit Linked Notes redeem early due to the occurrence of a Credit Event?*" below). Interest will cease to accrue on the Credit Linked Notes (or the Applicable Proportion where they are to redeem in part) from and including (i) the Event Determination Date, or (ii) the Interest Payment Date immediately preceding the Event Determination Date or, if there have not been any previous Interest Payment Dates, from and including the Issue Date, depending on the relevant election in the Final Terms.

***What is the difference between the Credit Linked Notes and a bond issued by the Reference Entity?***

The Credit Linked Notes give the investor exposure to the credit risk of the Reference Entity without having to own a bond or other type of debt obligation of such Reference Entity. The Reference Entity itself is not a party to and has no direct involvement in the Credit Linked Notes and an investor will not be able to claim against the Reference Entity or Issuer for any losses it suffers from a Credit Event of the Reference Entity. The Issuer is not obliged to hold any obligation of the Reference Entity or otherwise have credit risk exposure to the Reference Entity.

***How do changes in share prices of any Reference Entity affect the value of the Credit Linked Notes?***

Taking credit risk on the Reference Entity by purchasing Notes is different from taking equity risk by investing in shares of the Reference Entity. There are a number of reasons for this. For example:

(a) credit derivatives reference debt obligations of the Reference Entity, and a Reference Entity must generally pay amounts due to the creditors on these debt obligations before paying dividends or capital to shareholders;

(b) the obligations of the Reference Entity referenced by the Credit Linked Notes consist of bonds and other debt; holders of this type of debt will generally rank ahead of holders of ordinary shares in the insolvency of a Reference Entity, and so may have (but are not guaranteed) a higher rate of recovery of moneys due to them;

(c) because the Credit Linked Notes reference these debt obligations, the market value of the Credit Linked Notes is related to (although not necessarily equal to) the value of these debt obligations; and

(d) there is no direct link between share prices and the value of the Credit Linked Notes.

However, in some circumstances, changes in the share price of the Reference Entity may result in or from, at a general level, a change in the market value of its debt and vice versa.

***What are Single Name Credit Linked Notes?***

Single Name Credit Linked Notes represent an investment linked to the performance of only one Reference Entity specified in the applicable Final Terms. If a Credit Event and an Event Determination Date occur then each Single Name Credit Linked Note will be redeemed in full (or may be redeemed in part following the occurrence of an M(M)R Restructuring Credit Event (see further "*What are Noteholders paid if the Credit Linked notes are partially redeemed following a Restructuring Credit Event?*")) either:

(a) if "Cash Redemption" applies, by payment of the Cash Redemption Amount, being an amount calculated as equal to the greater of (i) zero and (ii) the lesser of (a) the product of (x) the Applicable Proportion of the Single Name Credit Linked Note and (y) the Final Price, taking into consideration any positive or negative effects of any Unwind Costs (if applicable) and (b) the Applicable Proportion of the Note; or

(b) if "Auction Redemption" applies, by payment of the Auction Redemption Amount, being an amount calculated as equal to the greater of (i) zero and (ii) the lesser of (a) the product of (x) the Applicable Proportion of the Single Name Credit Linked Note and (y) the Auction Final Price, taking into consideration any positive or negative effects of any Unwind Costs (if applicable) and (b) the Applicable Proportion of the Single Name Credit Linked Note.

If "Credit Payment on Maturity" applies, payment of the Cash Redemption Amount or Auction Redemption Amount (calculated as described above) in respect of the Applicable Proportion of the Single Name Credit Linked Note will only occur on the Scheduled Maturity Date.

***What are Basket Credit Linked Notes?***

Basket Credit Linked Notes represent an investment linked to the performance of either: (i) a basket of Reference Entities specified in the applicable Final Terms; or (ii) the component Reference Entities of an index specified in the applicable Final Terms. The Basket Credit Linked Notes are exposed to the credit risk of each Reference Entity in proportion to the weighting specified for such Reference Entity in the applicable Final Terms.

If a Credit Event and an Event Determination Date occurs in respect of any one of the Reference Entities in the basket or index (as applicable), then each Basket Credit Linked Note will be redeemed in part in proportion to the weighting of the affected Reference Entity:

(a) if "Cash Redemption" applies, by payment of the Basket Cash Redemption Amount, being an amount calculated using the method for calculating the Cash Redemption Amount as described under "*What are Single Name Credit Linked Notes?*" above; or

(b) if "Auction Redemption" applies, by payment of the Basket Auction Redemption Amount, being an amount calculated using the method for calculating the Auction Redemption Amount as described under "What are Single Name Credit Linked Notes?" above.

The remaining portion of each Basket Credit Linked Note will remain outstanding and will be redeemed at maturity at its *pro rata* share of the Outstanding Aggregate Nominal Amount, subject to the occurrence of a Credit Event in respect of another Reference Entity in the basket or index (as applicable).

If "Credit Payment on Maturity" applies, payment of the Basket Cash Redemption Amount or Basket Auction Redemption Amount in respect of each Applicable Proportion of the Basket Credit Linked Notes will only occur on the Scheduled Maturity Date.

***What are Index Tranche Credit Linked Notes?***

Index Tranche Credit Linked Notes represent an investment linked to the performance of the component Reference Entities of an index specified in the applicable Final Terms and the losses accruing to a specified tranche of such index. The Index Tranche Credit Linked Notes are exposed to the credit risk of each Reference Entity in proportion to the weighting specified for such Reference Entity in the applicable Final Terms.

The applicable Final Terms will specify the Attachment Point of the tranche, the Detachment Point of the tranche and a Leverage percentage, which acts as a multiplier in respect of the losses and recoveries incurred within the tranche.

If the aggregate Loss Amounts incurred in respect of the Index Tranche Credit Linked Notes (the Loss Amount being 100% minus the Auction Final Price (if Auction Redemption applies) or Final Price (if Cash Redemption applies)) are greater than the Loss Threshold Amount, then each Index Tranche Credit Linked Note will be redeemed in part in proportion to the weighting of the affected Reference Entity by payment of the Index Tranche Redemption Amount, being an amount calculated as equal to the greater of (i) zero and (ii) the lesser of (a) the Index Tranche Levered Incurred Recovery Amount, taking into consideration any positive or negative effects of any Unwind Costs (if applicable) and (b) the Applicable Proportion of the Index Tranche Credit Linked Note.

The Index Tranche Levered Incurred Recovery Amount is equal to the lower of (i) the Recovery Amount (being the Auction Final Price (if Auction Redemption applies) and the Final Price (if Cash Redemption applies)) in respect of the affected Reference Entity, (ii) the aggregate of all Recovery Amounts incurred to date less the Recovery Threshold Amount, and (iii) the Outstanding Aggregate Nominal Amount, multiplied by the Leverage.

If a Credit Event and an Event Determination Date occur in respect of any one of the Reference Entities in the index, then each Index Tranche Credit Linked Note will be reduced by the Index Tranche Credit Linked Note's pro rata share of the sum of the Loss Amount and the Recovery Amount (being the Auction Final Price (if Auction Redemption applies) or Final Price (if Cash Redemption applies)) for the relevant Reference Entity in respect of which the Credit Event has occurred.

The remaining portion of each Index Tranche Credit Linked Notes will be redeemed at maturity at their *pro rata* share of the Outstanding Aggregate Nominal Amount, subject to the occurrence of a Credit Event in respect of another Reference Entity in the index.

If "Credit Payment on Maturity" applies, payment of the Index Tranche Redemption Amount in respect of each Applicable Proportion of the Index Tranche Credit Linked Notes will only occur on the Scheduled Maturity Date.

***What is Fixed Recovery Redemption?***

If "Fixed Recovery Redemption" is specified as applicable then, following the occurrence of a Credit Event and an Event Determination Date, the amount payable on redemption on the relevant Redemption Date shall be calculated as set out in "*What are Single Name Credit Linked Notes?*", "*What are Basket Credit Linked Notes?*" and "*What are Index Tranche Credit Linked Notes?*" above, provided that instead of the Auction Final Price or Final Price, as the case may be, the "Fixed Recovery Percentage" set out in the applicable Final Terms shall apply, which may be zero.

***What are Unwind Costs?***

The amount payable or deliverable after the occurrence of a Credit Event may be adjusted by an amount, determined by the Calculation Agent, relating to the costs and expenses incurred by the Issuer or its affiliates in redeeming the Notes early or terminating, obtaining or re-establishing any related funding, hedging or trading position in connection with the Notes as a result of a Credit Event occurring. Such amount may be positive (and so deducted from the relevant Redemption Amount payable to the Noteholder) or negative (and so added to the relevant Redemption Amount payable to the Noteholder).

***What is a Credit Event?***

A Credit Event is, broadly speaking, an event which is regarded as being indicative of a default or material decline in the creditworthiness of the Reference Entity.

Credit Events are determined by reference to the relevant Reference Entity itself and certain eligible types of obligations of such Reference Entity which, in relation to the Credit Linked Notes, may include any loans, debt securities or other borrowed money obligations of the Reference Entity (owed to any Investor which may not be related to the Issuer or the Credit Linked Notes) ("**Obligations**").

The Credit Events relevant to the Credit Linked Notes may include any of the following events with respect to the Reference Entity, as specified or elected in the relevant Final Terms:

(a) Failure to Pay: a failure by the Reference Entity to pay amounts when due under its Obligations, where the failure to pay relates to an amount greater than a pre-determined minimum amount;

(b) Bankruptcy: a bankruptcy or insolvency procedure in respect of the Reference Entity;

(c) Restructuring: a restructuring of a pre-determined minimum amount in relation to an Obligation of the Reference Entity which amends key terms of that Obligation as to repayment of principal or payment of interest thereunder;

(d) Obligation Acceleration: the acceleration of one or more Obligations of the Reference Entity before it would otherwise be due and payable in respect of a pre-determined minimum amount;

(e) Obligation Default: one or more Obligations of the Reference Entity in respect of a pre-determined minimum amount becomes capable of being declared due and payable before it would otherwise be due and payable;

(f) Repudiation/Moratorium: the Reference Entity or a Governmental Authority repudiates one or more Obligations in respect of a pre-determined minimum amount or imposes a moratorium in respect of one or more Obligations in respect of such minimum amount and a failure to pay under or a restructuring of such Obligation(s) subsequently occurs within a specified time period; or

(g) Governmental Intervention: an event which would result in the reduction or deferral of payment of principal or interest or change in ranking of priority in, an expropriation of or the mandatory cancellation, conversion or exchange of an Obligation as the result of an action taken or announcement made by a Governmental Authority.

***When does a Credit Event need to occur to affect the payout on the Credit Linked Notes?***

If a relevant Credit Derivatives Determinations Committee resolves that a Credit Event has occurred in relation to any Reference Entity or an Obligation thereof (see further "*What are the Credit Derivatives Determinations Committees and how do they affect the Credit Linked Notes?*" below), such Credit Event must have occurred during the period from and including the date that is sixty calendar days prior to the date on which it first received a request to resolve whether or not such Credit Event has occurred (the "**Credit Event Resolution Request Date**") to and including the Scheduled Maturity Date (subject to extension in certain

circumstances). However, if the Issuer determines that a Credit Event has occurred in relation to any Reference Entity or an Obligation thereof and delivers a Credit Event Notice to the Agent to that effect, when the relevant Credit Derivatives Determinations Committee is not going to consider the same, such Credit Event must have occurred during the period from sixty calendar days prior to the earlier of the effective delivery date of such Credit Event Notice and the Credit Event Resolution Request Date (subject to extension in certain circumstances).

***Can a Credit Event occur prior to the Issue Date?***

Yes. A Credit Event may occur prior to the Issue Date of the Credit Linked Notes and may even occur prior to the applicable Trade Date.

Noteholders should conduct their own review of any recent developments with respect to the Reference Entity by consulting publicly available information. If a request has been delivered to ISDA prior to the Trade Date to determine whether a Credit Event has occurred with respect to the Reference Entity, details of such request may be found on the ISDA website at http://dc.isda.org/.

***What is an Event Determination Date?***

In order for Notes to be redeemed following a Credit Event, it is necessary for a relevant Event Determination Date to have occurred. Depending on the circumstances, this may be the date on which a notice describing the occurrence of the Credit Event has been delivered by the Issuer to the Agent (together with, if applicable, a notice containing publicly available information confirming the occurrence of the Credit Event), or the date on which, amongst other things, it is publicly announced that a Credit Derivatives Determinations Committee will be convened to determine if a certain Credit Event has occurred.

***Can an Event Determination Date only occur if a Credit Derivatives Determinations Committee determines that one has occurred?***

No. The Issuer may also deliver a Credit Event Notice to the Agent in relation to the Credit Event triggering an Event Determination Date. Such notice may be delivered at any time within the Notice Delivery Period including where a Credit Derivatives Determinations Committee has not resolved that a Credit Event has occurred.

***What interest payments will Noteholders receive after the occurrence of a Credit Event?***

On the occurrence of a Credit Event, interest will cease to accrue on the Applicable Proportion of each Note as at the Interest Suspension Accrual Date. The Interest Suspension Accrual Date is the earlier of the day prior to (i) the Scheduled Maturity Date or (ii) the Interest Payment Date immediately prior to the Event Determination Date or the Event Determination, according to the election made in the Final Terms. Interest will continue to accrue as before the Credit Event on the remaining portion (if any) of each Note, subject to the occurrence of further Credit Events.

From the Interest Suspension Accrual Date, the Recovery Amount (being the Auction Recovery Amount, Cash Recovery Amount, Basket Auction Recovery Amount, Basket Cash Recovery Amount or Index Tranche Incurred Recovery Amount, as applicable) shall accrue interest at the Funding Interest Rate. If Credit Payment upon Maturity does not apply, interest shall accrue on the Recovery Amount until the Cash Redemption Date, Auction Redemption Date, Basket Cash Redemption Date, Basket Auction Redemption Date, Index Tranche Cash Redemption Date or Index Tranche Auction Redemption Date (as applicable). If Credit Payment upon Maturity does apply, Interest shall accrue on the Recovery Amount until the Auction Final Price (if Auction Redemption is applicable) or Final Price (if Cash Redemption or Fixed Recovery Redemption is applicable) is determined. From the date on which the Auction Final Price or Final Price is determined, the aggregate of all Recovery Amounts calculated to date will accrue interest at the Funding Interest Rate until the Notes are redeemed.

The Issuer may also elect in the Final Terms to pay interest at the Funding Interest Rate on the Loss Amount (being the Auction Loss Amount, Cash Loss Amount, Basket Auction Loss Amount, Basket Cash Loss Amount or Index Tranche Incurred Loss Amount, as applicable) from the Interest Suspension Accrual Date until the date on which the Auction Final Price (if Auction Redemption is applicable) or Final Price (if Cash Redemption or Fixed Recovery Redemption is applicable) is determined.

Funding Interest Rate is a rate per annum, which shall be specified in the Final Terms, and is based on the cost to the Issuer if it were to fund the amount on which such interest is accruing.

***What interest payments will Noteholders receive after the occurrence of a DC Credit Event Question?***

If a DC Credit Event Question is made in respect of which a DC Resolution (including, but not limited to, a DC Credit Event Announcement or a DC No Credit Event Announcement) has not been published at least five Business Days prior to any Interest Payment Date, the payment of interest in respect of the Applicable Proportion of the Notes scheduled to be paid to Noteholders on or about such Interest Payment Date will be suspended. The suspended interest will be paid to Noteholders on the Interest Suspension Payment Date. The Interest Suspension Payment Date is, depending on the election made in the Final Terms, either: (i) five Business Days after the date on which the Auction Final Price (if Auction Redemption is applicable) or Final Price (if Cash Redemption or Fixed Recovery Redemption is applicable) is determined or the date it is determined that no Credit Event has occurred, as applicable; or (ii) the Interest Payment Date immediately following the date which is five Business Days after the date on which the Auction Final Price (if Auction Redemption is applicable) or Final Price (if Cash Redemption or Fixed Recovery Redemption is applicable) is determined or the date it is determined that no Credit Event has occurred, as applicable.

***What are Noteholders paid if the Credit Linked Notes redeem early due to the occurrence of an Event Determination Date?***

If the Credit Linked Notes redeem early due to the occurrence of an Event Determination Date, either in part or in full, Noteholders will be paid their pro rata share of the relevant Redemption Amount (see further "*What are Single Name Credit Linked Notes*", "*What are Basket Credit Linked Notes?*" and "*What are Index Tranche Credit Linked Notes?*").

***What are Noteholders paid if the Credit Linked Notes redeem early for reasons other than the occurrence of an Event Determination Date?***

If the Credit Linked Notes redeem early due to the occurrence of an event other than an Event Determination Date, Noteholders will be paid their pro rata share of the applicable Early Redemption Amount.

***What are Noteholders paid if the Credit Linked Notes are not redeemed early?***

If no Event Determination Date has occurred, and provided that the Credit Linked Notes are not otherwise redeemed early, repurchased or cancelled, each Credit Linked Note will be redeemed in full on the Maturity Date (which may in certain circumstances have been extended).

***When will each of Auction Redemption and Cash Redemption apply?***

If the Credit Linked Notes redeem early due to the occurrence of an Event Determination Date, unless the Calculation Agent determines that Auction Redemption will not apply for certain specified reasons (in which case, Cash Redemption shall apply), Auction Redemption shall apply in respect of the Credit Linked Notes and, as such, an Auction Final Price will be determined (see further "*What is the Auction Final Price*" below). Where Cash Redemption applies, a Final Price shall be determined (see further "*What is the Final Price*" below).

***What is the Auction Final Price?***

The Auction Final Price is the settlement amount calculated in relation to a Credit Event with respect to any Reference Entity where Auction Redemption applies. Such amount is taken into account in calculating the relevant Redemption Amount that is payable to the Noteholders on an early redemption of the Credit Linked Notes following the occurrence of a Credit Event.

The relevant Redemption Amount will be determined by reference to a price (the Auction Final Price) determined by way of a credit derivatives auction sponsored by ISDA (an "**Auction**"). The Auction will involve a bidding process by institutions participating in the relevant Auction, pursuant to a bidding procedure set by ISDA, to establish the value of the eligible obligations (the "**Deliverable Obligations**") of the relevant Reference Entity (which may be Assets comprising the Asset Package, if applicable). The Issuer may act as a participating bidder in any such Auction and may submit bids and offers with respect to the Deliverable Obligations of the affected Reference Entity.

Deliverable Obligations mean obligations of the affected Reference Entity which satisfy certain specified "Deliverable Obligation Categories" and "Deliverable Obligation Characteristics".

The auction price is likely to be lower than the par value of the Deliverable Obligations of the Reference Entity and will be reflective of a loss experienced by the holder of such Deliverable Obligations. Moreover, the price is likely to reflect the lowest prevailing market value of any Deliverable Obligation. The lower the

Auction Final Price, the lower the relevant Redemption Amount paid to Noteholders on an early redemption of the Credit Linked Notes.

***What is the Final Price?***

The Final Price is the settlement amount calculated in relation to a Credit Event with respect to any Reference Entity where Cash Redemption applies. Such amount is taken into account in calculating the relevant Redemption Amount that is payable to the Noteholders on an early redemption of the Credit Linked Notes following the occurrence of a Credit Event.

The Final Price will be determined based on the price of certain eligible obligations ("**Valuation Obligations**") of the Reference Entity on a specified date following the occurrence of a Credit Event with respect to such Reference Entity. With respect to the Credit Linked Notes, the eligible obligations shall be one or more obligations, as selected by the Issuer that are a Reference Obligation and/or would constitute a Deliverable Obligation as at the particular observation time in accordance with elections made in the relevant Final Terms, or if applicable, are Assets comprising the Asset Package. The price of such eligible obligations will be determined on the basis of bid quotations received from third party dealers. The Issuer will be entitled to select the cheapest Valuation Obligations for valuation. This could decrease the Final Price and, as a result, reduce the relevant Cash Redemption Amount payable to Noteholders on an early redemption.

***What is Fixed Recovery Redemption?***

If "Fixed Recovery Redemption" is specified as applicable then, following the occurrence of a Credit Event and an Event Determination Date, the amount payable on redemption on the relevant Redemption Date shall be calculated as set out in "*What are Single Name Credit Linked Notes*?", "*What are Basket Credit Linked Notes?*" and "*What are Index Tranche Credit Linked Notes?*" above, provided that instead of the Auction Final Price or Final Price, as the case may be, the "Fixed Recovery Percentage" set out in the applicable Final Terms shall apply, which may be zero.

***Why might the Credit Linked Notes be partially redeemed following a Restructuring Credit Event and what will Noteholders be paid?***

Where a Restructuring Credit Event occurs and it constitutes an M(M)R Restructuring, a number of Credit Event Notices may be served, with each notice specifying the amount of the obligations in respect of which settlement is to take place. The transaction continues in effect in respect of the remaining portion of the obligations, so that one or more Credit Event Notices may be served later. Indeed, further notice may be served even if the Credit Event specified is the same Restructuring as the one originally relied upon. In this way, valuations can be made in relation to the proportion of the obligations of the Reference Entity which are available to acquire in the market (and so can be valued) and the Issuer is able to provide further notices if and when additional obligations become available in the market.

Accordingly, if a Restructuring Credit Event occurs with respect to the Credit Linked Notes, and it constitutes an M(M)R Restructuring, the Issuer may elect to trigger a partial redemption of the Credit Linked Notes in respect thereof. The Issuer has sole discretion to decide whether it will exercise a partial redemption of such Notes. The amount payable to Noteholders will reflect such partial redemption of the Credit Linked Notes.

***When are Noteholders paid if "Credit Payment on Maturity" applies?***

If "Credit Payment on Maturity" applies, payment of the relevant Redemption Amount will only occur on the Scheduled Maturity Date. (see further "*What are Single Name Credit Linked Notes?*", "*What are Basket Credit Linked Notes?" and "What are Index Tranche Credit Linked Notes?").*

***What is the Applicable Proportion?***

The Applicable Proportion for determining the amount payable on redemption or partial redemption of a Credit Linked Note and/or for determining the portion on the Credit Linked Notes on which interest ceases to accrue following the occurrence of a Credit Event will be the Applicable Percentage multiplied by the Specified Denomination of such Credit Linked Note.

The Applicable Percentage means in respect of a Credit Event:

(a) if the Credit Linked Note is a Single Name Credit Linked Note and the relevant Credit Event is not an M(M)R Restructuring Credit Event, 100 per cent.;

(b) if the Credit Linked Note is a Basket Credit Linked Note and the relevant Credit Event is not an M(M)R Restructuring Credit Event, an amount equal to the Reference Entity Notional Amount of the Reference Entity to which the relevant Credit Event or the relevant redemption relates divided by the Original Aggregate Nominal Amount of the Basket Credit Linked Notes;

(c) if the Credit Linked Note is an Index Tranche Note and the relevant Credit Event is not an M(M)R Restructuring Credit Event, an amount equal to the Principal Writedown Amount for the Reference Entity in respect of which a Credit Event has occurred divided by the Original Aggregate Nominal Amount of the Index Tranche Credit Linked Notes; or

(d) if the Credit Event is an "M(M)R Restructuring Credit Event", an amount equal to the relevant Exercise Amount specified in the relevant Credit Event Notice relating to the relevant Reference Entity and Credit Event divided by the Original Aggregate Nominal Amount of the Credit Linked Notes.

***What are the Financial Reference Entity Terms?***

Where the Reference Obligation is a senior obligation and, if "**Financial Reference Entity Terms**" has been specified as applicable, if a Credit Event would only affect the subordinated obligations of the relevant obligor, a Credit Event will not be triggered in respect of such senior obligation.

***What is Asset Package Delivery?***

If (a) a Restructuring Credit Event (which does not constitute a Governmental Intervention) or a Governmental Intervention Credit Event occurs with respect to a senior obligation, or (b) a Restructuring Credit Event occurs with respect to a Sovereign, such a Credit Event will constitute an "Asset Package Credit Event". In those circumstances, (unless, in respect of a Sovereign Reference Entity, Asset Package Delivery has been specified not to apply in the relevant Final Terms), the obligations or assets used to determine the Final Auction Price or Value of the Valuation Obligations, as the case may be (i.e. the "Asset Package"), will be those assets received or retained by a Relevant Holder after the relevant Credit Event by reference to:

(i) in respect of (a) above, either an obligation of the Reference Entity which existed immediately prior to the Asset Package Credit Event which would have constituted a Deliverable Obligation, or the Reference Obligation (i.e. a "Prior Deliverable Obligation"); or

(ii) in respect of (b) above, a benchmark obligation of the relevant Sovereign identified as such by ISDA and published on its website which immediately prior to the Asset Package Credit Event would have constituted a Deliverable Obligation (i.e. a "Package Observable Bond").

***What is ISDA?***

The International Swaps and Derivatives Association, Inc. ("**ISDA**") is a trade organisation of participants in the market for over-the-counter derivatives. It is headquartered in New York, and is responsible for creating standardised contracts such as the ISDA Master Agreement and the 2014 ISDA Credit Derivatives Definitions and a wide range of related documentation, that are used to enter into derivatives transactions. Definitions, confirmations and other documents and information published by ISDA are available on ISDA's website: http://www2.isda.org/. Certain publications are available free of charge while others are available to subscribers of the website only.

At the date of this Base Prospectus, ISDA has over 850 member institutions from 67 countries. These members include a broad range of OTC derivatives market participants.

***What are the Credit Derivatives Determinations Committees and how do they affect the Credit Linked Notes?***

The Credit Derivatives Determinations Committees were established by ISDA in March 2009 to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency.

Prospective Noteholders should note that a Credit Derivatives Determinations Committee has the power to make binding decisions which the Calculation Agent may determine are applicable for the purposes of the Credit Linked Notes on critical issues, including:

(a) the occurrence of a Credit Event and an Event Determination Date;

(b) whether one or more Auctions will be held in respect of the Reference Entity for which a Credit Event has occurred and the price determined in such Auction;

(c) if one or more Auctions is to be held, what Deliverable Obligations of the Reference Entity will be used for the purposes of determining the price for each such Auction; and

(d) the occurrence of a "Succession Event" and the identity of any "Successors".

Consequently, Noteholders will be bound by any such relevant decisions determined to be applicable to the Credit Linked Notes and the payments on the Credit Linked Notes and the timing of any such payments may be affected by such decisions or determinations. Questions referred to the Credit Derivatives Determinations Committee and the results of binding votes will be published on http://www2.isda.org/.

The Credit Derivatives Determinations Committees are regional and there is a Credit Derivatives Determinations Committee for each of the following five regions: the Americas, Asia (excluding Japan), Australia and New Zealand, Europe, the Middle East and Africa and Japan.

The proceedings of each Credit Derivatives Determinations Committee will be governed by rules published from time to time by ISDA. A copy of such rules is available as at the date of this Issue Memorandum free of charge at http://www2.isda.org/.

Each Credit Derivatives Determinations Committee is composed of fifteen voting members and three non-voting consultative members. Ten of the voting members are dealer institutions, with eight serving across all regions and two potentially varying by region. The other five voting members are non-dealer institutions that serve across all regions. The three non-voting consultative members consist of one dealer institution and one non-dealer institution that serve across all regions and one dealer institution that could potentially vary by region.

***Is it possible to change a Reference Entity?***

The Reference Entity may not be changed unless a "Successor" determination has been made with respect to the Reference Entity on or after the "Successor Backstop Date" (or, in the case of a "Universal Successor", on or after 1 January 2014).

A "**Universal Successor**" means, with respect to any Reference Entity, the single entity which assumes all of the obligations (including at least one relevant bond or loan) of the Reference Entity and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (however described) and the Reference Entity has not issued or incurred any borrowed money obligation at any time since the legally effective date of the assumption.

***What is a "Successor" to the Reference Entity and how can succession affect the Credit Linked Notes?***

If the DC Secretary publicly announces that a Credit Derivatives Determinations Committee has resolved that a different entity or entities has or have become successor(s) to the original Reference Entity to which the Credit Linked Notes are linked, then such entity may be identified as a "Successor" to the original Reference Entity. The Calculation Agent may also, following a Succession Event, identify an entity or entities as a successor(s) to the original Reference Entity.

The identity of the original Reference Entity will be treated as having been amended accordingly for the purposes of the Credit Linked Notes so that, following the determination or announcement of a "Successor", the Credit Linked Notes will be linked to the credit risk of the Successor. The credit risk associated with a Successor or Successors may be different from and could be greater than the credit risk associated with the original Reference Entity.

The events which may lead to the determination or announcement of a Successor may occur at any time from and including the "Successor Backstop Date" (or, in the case of a "Universal Successor", on or after 1 January 2014), which is a rolling date that is:

(a) if a Credit Derivatives Determinations Committee receives a request to resolve whether or not there is one or more Successors to the Reference Entity, 90 calendar days prior to the date of such request; or

(b) otherwise, 90 calendar days prior to the earlier of (i) the date on which notice of the occurrence of a succession delivered by the Issuer to the Agent is effective, (ii) where a Credit Derivatives

Determination Committee receives a request to resolve whether or not there is one or more successors to the References but has resolved not to make a successor determination and the notice of the occurrence of a succession is delivered by the Issuer to the Agent no more than 14 calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determination Committee has resolved not to make a successor determination, the date that the request to resolve whether or not there is one or more successors to the Reference Entity was received.

***Can a succession occur prior to the Issue Date?***

Yes. A succession may occur prior to the Issue Date of the Credit Linked Notes and may even occur prior to the Trade Date specified in the relevant Final Terms. The Successor Backstop Date may fall prior to the Trade Date and, accordingly, a succession may occur prior to the Trade Date.

Noteholders should conduct their own review of any recent developments with respect to the Reference Entity by consulting publicly available information. If a request has been delivered to convene a Credit Derivatives Determinations Committee prior to the Trade Date to determine whether a succession has occurred with respect to the Reference Entity, details of such request may be found on the ISDA website http://dc.isda.org/.

## PART B: Credit Linked Conditions

The following are the conditions (the "**Credit Linked Conditions**") that will apply to the Notes (the "**Credit Linked Notes**") if the relevant Final Terms indicate that "Credit Linked Notes" are applicable. These Credit Linked Conditions apply as completed by the relevant Final Terms. In the case of any inconsistency between these Credit Linked Conditions and the Conditions, these Credit Linked Conditions will prevail.

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

Unless otherwise specified, references in these Credit Linked Conditions to a Credit Linked Condition are to the corresponding provision of these Credit Linked Conditions.

### 1 Redemption of Credit Linked Notes

(a) *Redemption on the Maturity Date*

Unless the Credit Linked Notes have been previously redeemed or purchased and cancelled by the Issuer, provided that a Relevant Event Determination Date has not occurred and subject to Maturity Date Extension pursuant to Credit Linked Condition 9 (*Maturity Date Extension*), the Credit Linked Notes shall be redeemed in full on the Scheduled Maturity Date.

(b) *Redemption following the occurrence of a Credit Event*

Unless previously redeemed or purchased and cancelled, if a Relevant Credit Event and a Relevant Event Determination Date have occurred, with respect to:

(i) Single Name Credit Linked Notes, the Issuer will redeem such Notes (in whole or in part) in accordance with Credit Linked Condition 3 (*Single Name Credit Linked Notes*);

(ii) Basket Credit Linked Notes, the Issuer will redeem such Notes (in whole or in part) in accordance with Credit Linked Condition 4 (*Basket Credit Linked Notes*); and

(iii) Index Tranche Credit Linked Notes, the Issuer will redeem such Notes (in whole or in part) in accordance with Credit Linked Condition 5 (*Index Tranche Credit Linked Notes*),

in each case subject to Credit Linked Condition 15 (*Effect of DC Announcements*).

### 2 Interest on Credit Linked Notes

(a) *Accrual of Interest*

Subject to Credit Linked Condition 2(c) (*Suspension of Interest following an Applicable DC Credit Event Question*), interest (if any) shall accrue on the Outstanding Aggregate Nominal Amount of the Credit Linked Notes in accordance with Condition 3 (*Interest*) (as completed by the relevant Final Terms), subject to Credit Linked Conditions 3 (*Single Name Credit Linked Notes*), 4 (*Basket Credit Linked Notes*) and 5 (*Index Tranche Credit Linked Notes*).

For the avoidance of doubt, no interest shall accrue on any Note after the Scheduled Maturity Date.

(b) *Accrual of Interest on Credit Event*

If a Relevant Event Determination Date has occurred in respect of a Reference Entity during the Notice Delivery Period but prior to the Scheduled Maturity Date then, notwithstanding anything to the contrary in Condition 3 (*Interest*), with respect to:

(i) Single Name Credit Linked Notes, interest will accrue on such Notes in accordance with Credit Linked Condition 3 (*Single Name Credit Linked Notes*);

(ii) Basket Credit Linked Notes, interest will accrue on such Notes in accordance with Credit Linked Condition 4 (*Basket Credit Linked Notes*); and

(iii) Index Tranche Credit Linked Notes, interest will accrue on such Notes in accordance with Credit Linked Condition 5 (*Index Tranche Credit Linked Notes*).

(c) *Suspension of Interest following an Applicable DC Credit Event Question*

Subject to Credit Linked Conditions 2(d) (*Payment of Suspended Interest following an Applicable DC Credit Event Question*), if an Applicable DC Credit Event Question is made in respect of which a DC Resolution (including, but not limited to, a DC Credit Event Announcement or a DC No Credit Event Announcement) has not been published at least five Business Days prior to any Interest Payment Date, the payment of interest (if any) in respect of the maximum possible Applicable Proportion that could arise as a result of the Credit Event, as determined by the Calculation Agent, of each Note scheduled to be paid to Noteholders on or about such Interest Payment Date will be suspended.

(d) *Payment of Suspended Interest following an Applicable DC Credit Event Question*

If, in connection with an Applicable DC Credit Event Question:

(i) an Applicable DC No Credit Event Announcement or an Applicable DC Credit Event Question Dismissal is made, any payments of interest suspended under Credit Linked Condition 2(c) (*Suspension of Interest following an Applicable DC Credit Event Question*), shall be paid on the Interest Suspension Payment Date;

(ii) an Applicable DC Credit Event Announcement is made but the Calculation Agent determines that the Event Determination Date relating thereto is a date falling fewer than five Business Days prior to the Interest Payment Date or later, any payments of interest suspended under Credit Linked Condition 2(c) (*Suspension of Interest following an Applicable DC Credit Event Question*), shall be paid on the Interest Suspension Payment Date;

(iii) an Applicable DC Credit Event Announcement is made and the Calculation Agent determines that the Event Determination Date relating thereto is a date falling at least five Business Days prior to such Interest Payment Date:

(A) any payments of interest suspended under Credit Linked Condition 2(c) (*Suspension of Interest following an Applicable DC Credit Event Question*), in respect of interest that would have accrued in accordance with Condition 3 (*Interest*) from, and including, the Interest Payment Date immediately preceding the date on which the Applicable DC Credit Event Question was made to, but excluding, the Interest Suspension Accrual Date, shall be paid on the Interest Suspension Payment Date; and

(B) the accrual of interest from, and including, the Interest Suspension Accrual Date to, but excluding, the date on which such interest is paid will be determined in accordance with Credit Linked Condition 3(a), 4(a) or 5(a) (*Accrual of Interest on Credit Event*) (as applicable).

(e) *Adjustment Payments in respect of Suspended Interest*

No additional amount in respect of interest and no adjustment shall be made to the amount of any interest in connection with the delay or postponement of any payment of interest pursuant to Credit Linked Condition 2(c) (*Suspension of Interest following an Applicable DC Credit Event Question*).

(f) *Notice of Suspended Interest*

The Issuer shall endeavour to give notice to the Noteholders in accordance with Condition 20 (*Notices*) as soon as reasonably practicable should any payment of interest on their Notes be suspended pursuant to this Credit Linked Condition 2 (*Interest on Credit Linked Notes*).

## 3 Single Name Credit Linked Notes

The provisions of this Credit Linked Condition 3 (*Single Name Credit Linked Notes*) shall not apply to Basket Credit Linked Notes or Index Tranche Credit Linked Notes.

(a) *Accrual of Interest on Credit Event*

(i) Credit Payment on Maturity Not Applicable

(A) If Credit Payment on Maturity does not apply and a Relevant Event Determination Date has occurred during the Notice Delivery Period but prior to the Scheduled Maturity Date then, notwithstanding anything to the contrary in Condition 3 (*Interest*), interest will cease to accrue on the Applicable Proportion of each Single Name Credit Linked Note as at the Interest Suspension Accrual Date.

For the avoidance of doubt, interest will continue to accrue on any remaining portion of each Single Name Credit Linked Note in accordance with Condition 3 (*Interest*) until the earlier of (i) the Scheduled Maturity Date and (ii) the Auction Redemption Date or Cash Redemption Date (as applicable).

(B) If Credit Payment on Maturity does not apply and Credit Linked Condition 3(a)(i)(A) applies:

I the Auction Recovery Amount or Cash Recovery Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Auction Redemption Date or the Cash Redemption Date (as applicable); and

II if "Credit Event Deferred Interest on Loss Amount" is specified in the Final Terms as applicable, the Auction Loss Amount or Cash Loss Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

Interest accrued under this Credit Linked Condition 3(a)(i)(B) shall be payable on the Auction Redemption Date or Cash Redemption Date (as applicable).

(ii) Credit Payment on Maturity Applicable

(A) If Credit Payment on Maturity applies and a Relevant Event Determination Date has occurred during the Notice Delivery Period but prior to the Scheduled Maturity Date, notwithstanding that the Cash Redemption Amount or Auction Redemption Amount (as applicable) shall be payable on the Final Cash Redemption Date or Final Auction Redemption Date (as applicable), the Applicable Proportion of each Single Name Credit Linked Note shall cease to accrue interest in accordance with Condition 3 (*Interest*) as at the Interest Suspension Accrual Date.

For the avoidance of doubt, interest will continue to accrue on any remaining portion of each Single Name Credit Linked Note in accordance with Condition 3 (*Interest*) until the earlier of (i) the Scheduled Maturity Date and (ii) the Auction Redemption Date or Cash Redemption Date (as applicable).

(B) If Credit Payment on Maturity applies and Credit Linked Condition 3(a)(ii)(A) applies:

I the Auction Recovery Amount or Cash Recovery Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Interest Payment Date immediately following the Relevant Event Determination Date; and

II if "Credit Event Deferred Interest on Loss Amount" is specified in the Final Terms as applicable, the Auction Loss Amount or Cash Loss Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

Interest accrued under this Credit Linked Condition 3(a)(ii)(B) shall be payable on the Interest Payment Date following the Auction Final Price Determination Date or the Final Price Determination Date (as applicable), unless such Interest Payment Date falls less

than five Business Days after the Auction Final Price Determination Date or Final Price Determination Date, in which case, such interest shall be payable on the second Interest Payment Date following the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

(C) If Credit Payment on Maturity applies and Credit Linked Condition 3(a)(ii)(A) applies, the Aggregate Auction Recovery Amount or the Aggregate Cash Recovery Amount (as applicable) shall accrue interest at the Funding Interest Rate in respect of each Interest Period from, and including, the Interest Payment Date immediately following the Auction Final Price Determination Date or Final Price Determination Date (as applicable) to, but excluding, the Final Auction Redemption Date or Final Cash Redemption Date (as applicable).

Interest accrued under this Credit Linked Condition 3(a)(ii)(C) shall be payable in arrear on each Interest Payment Date from, and including, the second Interest Payment Date following the Auction Final Price Determination Date or Final Price Determination Date (as applicable) to, and including, the Interest Payment Date immediately preceding the Final Auction Redemption Date or Final Cash Redemption Date (as applicable). Interest accrued for the period between the Interest Payment Date immediately preceding the Final Auction Redemption Date or Final Cash Redemption Date (as applicable) and the Final Auction Redemption Date or Final Cash Redemption Date (as applicable) shall be paid on the Final Auction Redemption Date or Final Cash Redemption Date (as applicable).

(b) *Redemption following a Credit Event*

Notwithstanding anything to the contrary in Condition 5 (*Redemption and Purchase*) and unless previously redeemed or purchased and cancelled, following the occurrence of a Relevant Event Determination Date, the Applicable Proportion of each Single Name Credit Linked Note may be redeemed in accordance with the "Auction Redemption" Credit Event Redemption Method, the "Cash Redemption" Credit Event Redemption Method or the "Fixed Recovery Redemption" Credit Event Redemption Method as specified in the Final Terms.

(i) Auction Redemption

(A) Credit Payment on Maturity Not Applicable

If Credit Payment on Maturity does not apply, if "Auction Redemption" is specified as the Credit Event Redemption Method in the Final Terms, then, following the occurrence of a Relevant Event Determination Date, the Issuer shall redeem each Single Name Credit Linked Note in whole (or, if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) on the Auction Redemption Date at the Auction Redemption Amount.

(B) Credit Payment on Maturity Applicable

If Credit Payment on Maturity applies, if "Auction Redemption" is specified as the Credit Event Redemption Method in the Final Terms, following the occurrence of a Relevant Event Determination Date, then the Issuer shall redeem each Single Name Credit Linked Note in whole (or, if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) on the Final Auction Redemption Date at the Final Auction Redemption Amount.

(ii) Cash Redemption

(A) Credit Payment on Maturity Not Applicable

If Credit Payment on Maturity does not apply, if (i) "Cash Redemption" is specified as the Credit Event Redemption Method in the Final Terms, or (ii) Cash Redemption is applicable as the Fallback Redemption Method and Credit Linked Condition 11 (*Auction Redemption Terms*) requires the Issuer to redeem the Single Name Credit Linked Notes (or, if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) as if Cash Redemption had been specified as the Credit Event

Redemption Method, then, following the occurrence of a Relevant Event Determination Date, the Issuer shall redeem each Single Name Credit Linked Note in whole (or, if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) on the Cash Redemption Date at the Cash Redemption Amount.

(B) Credit Payment on Maturity Applicable

If Credit Payment on Maturity applies, if "Cash Redemption" is the Credit Event Redemption Method, then, following the occurrence of a Relevant Event Determination Date, the Issuer shall redeem each Single Name Credit Linked Note in whole (or, if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) on the Final Cash Redemption Date at the Final Cash Redemption Amount.

(iii) Fixed Recovery Redemption

If "Fixed Recovery Redemption" is specified as the Credit Event Redemption Method in the relevant Final Terms, then, following the occurrence of a Relevant Event Determination Date, the Issuer shall redeem each Single Name Credit Linked Note (or, if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) in accordance with Credit Linked Condition 3(b)(ii) (*Redemption following a Credit Event - Cash Redemption*), provided that the Cash Redemption Amount shall be determined using the Fixed Recovery Percentage specified in the relevant Final Terms instead of the Final Price, as further set out in the definition of Cash Redemption Amount in Credit Linked Condition 3(d) (*Definitions*).

(c) *Notice of Redemption Amount*

(i) Auction Redemption

Following the determination of the Auction Redemption Amount or the Final Auction Redemption Amount (as applicable) with respect to the Single Name Credit Linked Notes, the Issuer shall, or may cause the Agent to, deliver a notice in accordance with Condition 20 (*Notices*) to the Noteholders specifying the Auction Redemption Amount or the Final Auction Redemption Amount (as applicable) (including the Auction Final Price and, if applicable, Unwind Costs), provided that any failure to give such notice to the Agent or Noteholders shall not affect any determinations made by the Issuer and/or the Calculation Agent or the rights of the Issuer to redeem the Single Name Credit Linked Notes.

(ii) Cash Redemption

Following the determination of the Cash Redemption Amount or the Final Cash Redemption Amount (as applicable), the Issuer shall, or may cause the Agent to, deliver a notice in accordance with Condition 20 (*Notices*) to the Noteholders specifying, to the extent applicable:

(A) the Valuation Obligation(s) which were the subject of the Quotation;

(B) the Valuation Date;

(C) the Quotation Amount;

(D) the Quotations obtained;

(E) the Final Price (if applicable);

(F) the Fixed Recovery Percentage (if applicable);

(G) the Cash Redemption Amount or the Final Cash Redemption Amount (as applicable); and

(H) if applicable, any Unwind Costs.

(d) *Definitions*

For the purposes of the Single Name Credit Linked Notes only, the following terms have the meanings given in this Credit Linked Condition 3(d) (*Definitions*).

"**Aggregate Auction Recovery Amount**" means the aggregate of the Auction Recovery Amounts calculated in respect of the Credit Linked Notes.

"**Aggregate Cash Recovery Amount**" means the aggregate of the Cash Recovery Amounts calculated in respect of the Credit Linked Notes.

"**Auction Loss Amount**" means, in respect of each Single Name Credit Linked Note, an amount calculated by the Calculation Agent equal to A - B, where:

"A" is the Applicable Proportion of the Single Name Credit Linked Note; and

"B" is the Auction Recovery Amount.

"**Auction Recovery Amount**" means, in respect of each Single Name Credit Linked Note, an amount calculated by the Calculation Agent equal to A x B, where:

"A" is the Applicable Proportion of the Single Name Credit Linked Note; and

"B" is the Auction Final Price.

"**Auction Redemption Amount**" means, in respect of each Single Name Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) A – B and (b) C, where:

"A" is the Auction Recovery Amount;

"B" is the Unwind Costs; and

"C" is the Applicable Proportion of the Single Name Credit Linked Note.

"**Auction Redemption Date**" means the date as notified by the Issuer that is not earlier than the Auction Settlement Date and not later than five Business Days following the Auction Settlement Date.

"**Cash Loss Amount**" means, in respect of each Single Name Credit Linked Note, an amount calculated by the Calculation Agent equal to A - B, where:

"A" is the Applicable Proportion of the Single Name Credit Linked Note; and

"B" is the Cash Recovery Amount.

"**Cash Recovery Amount**" means, in respect of each Single Name Credit Linked Note, an amount calculated by the Calculation Agent equal to A x B, where:

"A" is the Applicable Proportion of the Single Name Credit Linked Note; and

"B" is either (I) the Final Price, if "Cash Redemption" is specified as the Credit Event Redemption Method in the Final Terms or Cash Redemption is applicable as the Fallback Redemption Method, or (II) the Fixed Recovery Percentage, if "Fixed Recovery Redemption" is specified as the Credit Event Redemption Method in the relevant Final Terms.

"**Cash Redemption Amount**" means, in respect of each Single Name Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) A – B and (b) C, where:

"A" is the Cash Recovery Amount;

"B" is the Unwind Costs; and

"C" is the Applicable Proportion of the Single Name Credit Linked Note.

"**Cash Redemption Date**" means (a) the date that is the number of Business Days specified in the relevant Final Terms (or, if a number of Business Days is not so specified, five Business Days) following the calculation of the Final Price, and (b) if Fixed Recovery Redemption is the Credit Event Redemption Method, the date that is the number of Business Days specified in the related relevant Final Terms (or, if a number of Business Days is not so specified, five Business Days) following (i) the Event Determination Date, or (ii) if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of "**Event Determination Date**" or sub-paragraph (b)(i) of the

definition of "**Non-Standard Event Determination Date**", the day on which the Applicable DC Credit Event Announcement occurs and (c) if "**Cash Redemption**" is applicable as the Fallback Redemption Method, the date that is the number of Business Days specified in the related relevant Final Terms (or, if a number of Business Days is not so specified, five Business Days) following the Auction Cancellation Date or No Auction Announcement Date, if later.

"**Final Auction Redemption Amount**" means, in respect of each Single Name Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) [A x B] + C – D and (b) the Specified Denomination of the Single Name Credit Linked Note, where:

"A" is the Specified Denomination of the Single Name Credit Linked Note;

"B" is the Redemption Percentage;

"C" is the Aggregate Auction Recovery Amount; and

"D" is the Aggregate Unwind Costs.

"**Final Auction Redemption Date**" means the later to occur of (A) the Auction Redemption Date and (B) the Scheduled Maturity Date.

"**Final Cash Redemption Amount**" means, in respect of each Single Name Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) [A x B] + C – D and (b) the Specified Denomination of the Single Name Credit Linked Note, where:

"A" is the Specified Denomination of the Single Name Credit Linked Note;

"B" is the Redemption Percentage;

"C" is the Aggregate Cash Recovery Amount; and

"D" is the Aggregate Unwind Costs.

"**Final Cash Redemption Date**" means the later to occur of (A) the Cash Redemption Date and (B) the Scheduled Maturity Date.

"**Redemption Percentage**" means, on any day, an amount determined by the Calculation Agent as 100 per cent. minus the aggregate of all Exercise Amounts (expressed as a percentage) in respect of the Credit Linked Notes at such date.

## 4 Basket Credit Linked Notes

The provisions of this Credit Linked Condition 4 (*Basket Credit Linked Notes*) shall not apply to Single Name Credit Linked Notes or Index Tranche Credit Linked Notes.

(a) *Accrual of Interest on Credit Event*

(i) Credit Payment on Maturity Not Applicable

(A) If Credit Payment on Maturity does not apply and a Relevant Event Determination Date has occurred during the Notice Delivery Period but prior to the Scheduled Maturity Date then, notwithstanding anything to the contrary in Condition 3 (*Interest*), interest will cease to accrue on the Applicable Proportion of each Basket Credit Linked Note as at the Interest Suspension Accrual Date.

For the avoidance of doubt, interest shall continue to accrue on any remaining portion of each Basket Credit Linked Note then outstanding in accordance with Condition 3 (Interest) until the earlier of (i) the Scheduled Maturity Date and (ii) the final Basket Auction Redemption Date or Basket Cash Redemption Date (as applicable).

(B) If Credit Payment on Maturity does not apply and Credit Linked Condition 4(a)(i)(A) applies:

I the Basket Auction Recovery Amount or Basket Cash Recovery Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Basket Auction Redemption Date or the Basket Cash Redemption Date (as applicable); and

II if "Credit Event Deferred Interest on Loss Amount" is specified in the Final Terms as applicable, the Basket Auction Loss Amount or Basket Cash Loss Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

Interest accrued under this Credit Linked Condition 4(a)(i)(B) shall be payable: (i) if "Credit Event Suspended Interest" is specified in the Final Terms as not applicable, five Business Days after the relevant Basket Auction Redemption Date or Basket Cash Redemption Date (as applicable), or (ii) if "Credit Event Suspended Interest" is specified in the Final Terms as applicable, on the relevant Basket Auction Redemption Date or Basket Cash Redemption Date (as applicable).

(ii) Credit Payment on Maturity Applicable

(A) If Credit Payment on Maturity applies and a Relevant Event Determination Date has occurred during the Notice Delivery Period but prior to the Scheduled Maturity Date, notwithstanding that the Basket Cash Redemption Amount or Basket Auction Redemption Amount (as applicable) shall be payable on the Basket Final Cash Redemption Date or Basket Final Auction Redemption Date (as applicable), the Applicable Proportion of each Basket Credit Linked Note shall cease to accrue interest in accordance with Condition 3 (*Interest*) as at the Interest Suspension Accrual Date.

For the avoidance of doubt, interest shall continue to accrue on any remaining portion of the Basket Credit Linked Notes then outstanding in accordance with Condition 3 (*Interest*) until the earlier of (i) the Scheduled Maturity Date and (ii) the final Basket Auction Redemption Date or Basket Cash Redemption Date (as applicable).

(B) If Credit Payment on Maturity applies and Credit Linked Condition 4(a)(ii)(A) applies:

I the Basket Auction Recovery Amount or Basket Cash Recovery Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Interest Payment Date immediately following the Relevant Event Determination Date; and

II if "Credit Event Deferred Interest on Loss Amount" is specified in the Final Terms as applicable, the Basket Auction Loss Amount or Basket Cash Loss Amount (as applicable) shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

Interest accrued under this Credit Linked Condition 4(a)(ii)(B) shall be payable: (i) if "Credit Event Suspended Interest" is specified in the Final Terms as not applicable, five Business Days after the relevant Basket Auction Redemption Date or Basket Cash Redemption Date (as applicable), or (ii) if "Credit Event Suspended Interest" is specified in the Final Terms as applicable, on the Interest Payment Date following the Auction Final Price Determination Date or the Final Price Determination Date (as applicable), unless such Interest Payment Date falls less than five Business Days after the Auction Final Price Determination Date or Final Price Determination Date, in which case, such interest shall be payable on the second Interest Payment Date following the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

(C) If Credit Payment on Maturity applies and Credit Linked Condition 4(a)(ii)(A) applies, the Aggregate Auction Recovery Amount or the Aggregate Cash Recovery Amount (as applicable) shall accrue interest at the Funding Interest Rate in respect of each Interest Period from, and including, the Interest Payment Date immediately following the Auction Final Price Determination Date or Final Price Determination Date (as applicable) to, but excluding, the Basket Final Auction Redemption Date or Basket Final Cash Redemption Date (as applicable).

Interest accrued under this Credit Linked Condition 4(a)(ii)(C) shall be payable in arrear on each Interest Payment Date from, and including, the second Interest Payment Date following the Auction Final Price Determination Date or Final Price Determination Date (as applicable) to, and including, the Interest Payment Date immediately preceding the Basket Final Auction Redemption Date or Basket Final Cash Redemption Date (as applicable). Interest accrued for the period between the Interest Payment Date immediately preceding the Basket Final Auction Redemption Date or Basket Final Cash Redemption Date (as applicable) and the Basket Final Auction Redemption Date or Basket Final Cash Redemption Date (as applicable) shall be paid on the Basket Final Auction Redemption Date or Basket Final Cash Redemption Date (as applicable).

(b) *Redemption following a Credit Event*

Notwithstanding anything to the contrary in Condition 5 (*Redemption and Purchase*) and unless previously redeemed or purchased and cancelled, following the occurrence of a Relevant Event Determination Date, the Applicable Proportion of each Basket Credit Linked Note may be redeemed in accordance with the "Auction Redemption" Credit Event Redemption Method, the "Cash Redemption" Credit Event Redemption Method or the "Fixed Recovery Redemption" Credit Event Redemption Method, as specified in the Final Terms.

(i) Auction Redemption

(A) Credit Payment on Maturity Not Applicable

If Credit Payment on Maturity does not apply, following the occurrence of a Relevant Event Determination Date, the Issuer shall redeem the Applicable Proportion of each Basket Credit Linked Note by payment of the Basket Auction Redemption Amount.

The outstanding portion of each Basket Credit Linked Note shall be redeemed at its *pro rata* share of the Outstanding Aggregate Nominal Amount on the Basket Final Auction Redemption Date, subject to the occurrence of further Credit Events in respect of any Reference Entities.

Payment by the Issuer of the Basket Auction Redemption Amount on the relevant Basket Auction Redemption Date, or, if the Basket Auction Redemption Amount is zero, the occurrence of the Basket Auction Redemption Date, shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Proportion of the relevant Basket Credit Linked Note.

(B) Credit Payment on Maturity Applicable

If Credit Payment on Maturity applies, following the occurrence of a Relevant Event Determination Date, then the Issuer shall redeem each Basket Credit Linked Note in whole on the Basket Final Auction Redemption Date at the Basket Final Auction Redemption Amount.

(ii) Cash Redemption

(A) Credit Payment on Maturity Not Applicable

If Credit Payment on Maturity does not apply, following the occurrence of a Relevant Event Determination Date, the Issuer shall redeem the Applicable Proportion of each Basket Credit Linked Note by payment of the Basket Cash Redemption Amount.

The outstanding portion of each Basket Credit Linked Note shall be redeemed at its *pro rata* share of the Outstanding Aggregate Nominal Amount on the Basket Final Cash Redemption Date, subject to the occurrence of further Credit Events in respect of any Reference Entities.

Payment by the Issuer of the Basket Cash Redemption Amount on the relevant Basket Cash Redemption Date, or, if the Basket Cash Redemption Amount is zero, the occurrence of the Basket Cash Redemption Date, shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Proportion of the relevant Basket Credit Linked Note.

(B) Credit Payment on Maturity Applicable

If Credit Payment on Maturity applies, following the occurrence of a Relevant Event Determination Date, then the Issuer shall redeem each Basket Credit Linked Note in whole on the Basket Final Cash Redemption Date at the Basket Final Cash Redemption Amount.

(iii) Fixed Recovery Redemption

If "Fixed Recovery Redemption" is specified as the Credit Event Redemption Method in the relevant Final Terms, then, following the occurrence of a Relevant Event Determination Date, redemption of the Applicable Proportion of each Basket Credit Linked Note shall take place in accordance with Credit Linked Condition 4(b)(ii) (*Redemption Following a Credit Event - Cash Redemption*), provided that the Basket Cash Redemption Amount shall be determined using the Fixed Recovery Percentage specified in the relevant Final Terms instead of the Final Price, as further set out in the definition of Basket Cash Redemption Amount in Credit Linked Condition 4(d) (*Definitions*).

(c) *Notice of Redemption Amount*

(i) Auction Redemption

Following the determination of the Basket Auction Redemption Amount or the Basket Final Auction Redemption Amount (as applicable), the Issuer shall, or may cause the Agent to, deliver a notice in accordance with Condition 20 (*Notices*) to the Noteholders specifying the relevant Basket Auction Redemption Amount or Basket Final Auction Redemption Amount, including the Auction Final Price and the Unwind Costs (provided that any failure to give such notice to the Agent or Noteholders shall not affect any determinations made by the Issuer and/or the Calculation Agent or the rights of the Issuer to redeem the Basket Credit Linked Notes or the Applicable Proportion thereof).

(ii) Cash Redemption

Following the determination of the Basket Cash Redemption Amount or the Basket Final Cash Redemption Amount (as applicable), the Issuer shall, or may cause the Agent to, deliver a notice in accordance with Condition 20 (*Notices*) to the Noteholders specifying, to the extent applicable:

(A) the Valuation Obligation(s) which were the subject of the Quotation;

(B) the Valuation Date;

(C) the Quotation Amount;

(D) the Quotations obtained;

(E) the Final Price (if applicable);

(F) the Fixed Recovery Percentage (if applicable);

(G) the Basket Cash Redemption Amount or Basket Final Cash Redemption Amount (as applicable); and

(H) if applicable, any Unwind Costs.

(d) *Definitions*

For the purposes of the Basket Credit Linked Notes only, the following terms have the meanings given in this Credit Linked Condition 4(d) (*Definitions*).

"**Aggregate Auction Recovery Amount**" means the aggregate of the Auction Recovery Amounts calculated for each Reference Entity in respect of which a Relevant Credit Event and a Relevant Event Determination Date has occurred.

"**Aggregate Cash Recovery Amount**" means the aggregate of the Cash Recovery Amounts calculated for each Reference Entity in respect of which a Relevant Credit Event and a Relevant Event Determination Date has occurred.

"**Basket Auction Loss Amount**" means, in respect of each Basket Credit Linked Note, an amount calculated by the Calculation Agent equal to A - B, where:

"A" is the Applicable Proportion of the Basket Credit Linked Note; and

"B" is the Basket Auction Recovery Amount.

"**Basket Auction Recovery Amount**" means, in respect of each Basket Credit Linked Note, an amount calculated by the Calculation Agent equal to A x B, where:

"A" is the Applicable Proportion of the Basket Credit Linked Note; and

"B" is the Auction Final Price.

"**Basket Auction Redemption Amount**" means, in respect of each Basket Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) A – B and (b) C, where:

"A" is the Basket Auction Recovery Amount;

"B" is the Unwind Costs; and

"C" is the Applicable Proportion of the Basket Credit Linked Note.

"**Basket Auction Redemption Date**" means, in respect of a Reference Entity and a Credit Event, the date that is the number of Business Days specified in the related relevant Final Terms (or, if a number of Business Days is not so specified, five Business Days) following the Basket Auction Redemption Date, any Auction Cancellation Date or any No Auction Announcement Date, if later.

"**Basket Cash Loss Amount**" means, in respect of each Basket Credit Linked Note, an amount calculated by the Calculation Agent equal to A - B, where:

"A" is the Applicable Proportion of the Basket Credit Linked Note; and

"B" is the Basket Cash Recovery Amount.

"**Basket Cash Recovery Amount**" means, in respect of each Basket Credit Linked Note, an amount calculated by the Calculation Agent equal to A x B, where:

"A" is the Applicable Proportion of the Basket Credit Linked Note; and

"B" is either (I) the Final Price, if "Cash Redemption" is specified as the Credit Event Redemption Method in the Final Terms or Cash Redemption is applicable as the Fallback Redemption Method, or (II) the Fixed Recovery Percentage, if "Fixed Recovery Redemption" is specified as the Credit Event Redemption Method in the relevant Final Terms.

"**Basket Cash Redemption Amount**" means, in respect of each Basket Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) A - B and (b) C, where:

"A" is the Basket Cash Recovery Amount;

"B" is the Unwind Costs; and

"C" is the Applicable Proportion of the Basket Credit Linked Note.

"**Basket Cash Redemption Date**" means, in respect of a Reference Entity and a Credit Event, (i) if "Cash Redemption" is the Credit Event Redemption Method or the Fallback Redemption Method, the date that is the number of Business Days specified in the relevant Final Terms (or, if a number of Business Days is not so specified, five Business Days) following the calculation of the relevant Final Price; or (ii) if Fixed Recovery Redemption is the Credit Event Redemption Method, the date that is the number of Business Days specified in the Final Terms (or, if a number of Business Days is not so specified, five Business Days) following (a) the Event Determination Date, or (b) if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of "Event Determination Date" or sub-paragraph (b)(i) of the definition of "Non-Standard Event Determination Date", the day on which the Applicable DC Credit Event Announcement occurs.

"**Basket Final Auction Redemption Amount**" means, in respect of each Basket Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) [A x B] + C – D and (b) the Specified Denomination of the Basket Credit Linked Note, where:

"A" is the Specified Denomination of the Basket Credit Linked Note;

"B" is the Redemption Percentage;

"C" is the Aggregate Auction Recovery Amount; and

"D" is the Aggregate Unwind Costs.

"**Basket Final Auction Redemption Date**" means the later to occur of (A) the Basket Auction Redemption Date with respect to the final Credit Event occurring in respect of a Reference Entity and (B) the Scheduled Maturity Date.

"**Basket Final Cash Redemption Amount**" means, in respect of each Basket Credit Linked Note, unless otherwise specified in the relevant Final Terms, an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) [A x B] + C – D and (b) the Specified Denomination of the Basket Credit Linked Note, where:

"A" is the Specified Denomination of the Basket Credit Linked Note;

"B" is the Redemption Percentage;

"C" is the Aggregate Cash Recovery Amount; and

"D" is the Aggregate Unwind Costs.

"**Basket Final Cash Redemption Date**" means the later to occur of (A) the Basket Cash Redemption Date with respect to the final Credit Event occurring in respect of a Reference Entity and (B) the Scheduled Maturity Date.

"**Redemption Percentage**" means an amount determined by the Calculation Agent as 100% minus the aggregate of the Weightings (each expressed as a percentage) of each of the Reference Entities in respect of which a Relevant Credit Event and a Relevant Event Determination Date has occurred.

## 5 Index Tranche Credit Linked Notes

The provisions of this Credit Linked Condition 5 (*Index Tranche Credit Linked Notes*) shall not apply to Single Name Credit Linked Notes or Basket Credit Linked Notes.

(a) *Accrual of Interest on Credit Event*

(i) Credit Payment on Maturity Not Applicable

(A) If Credit Payment on Maturity does not apply, on the occurrence of a Credit Event and an Event Determination Date in relation to a Reference Entity, if the Calculation Agent determines that there is an Index Tranche Incurred Loss Amount or Index Tranche Incurred Recovery Amount with respect to such Reference Entity, for the purposes of calculating the interest due on the Index Tranche Credit Linked Notes, each Index

Tranche Credit Linked Note then outstanding shall be reduced by its *pro rata* share of the Principal Writedown Amount with effect from the Interest Suspension Accrual Date.

For the avoidance of doubt, interest shall continue to accrue on the Outstanding Aggregate Nominal Amount in accordance with Condition 3 (*Interest*) until the earlier of (i) the Scheduled Maturity Date and (ii) the final Index Tranche Auction Redemption Date or final Index Tranche Cash Redemption Date (as applicable).

(B) If Credit Payment on Maturity does not apply and Credit Linked Condition 5(a)(i)(A) applies:

I the Index Tranche Levered Incurred Recovery Amount shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Index Tranche Auction Redemption Date or the Index Tranche Cash Redemption Date (as applicable); and

II if "Credit Event Deferred Interest on Loss Amount" is specified in the Final Terms as applicable, the Index Tranche Levered Incurred Loss Amount shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

Interest accrued under this Credit Linked Condition 5(a)(i)(B) shall be payable on the Interest Payment Date immediately following the relevant Index Tranche Auction Redemption Date or Index Tranche Cash Redemption Date (as applicable).

(ii) Credit Payment on Maturity Applicable

(A) If Credit Payment on Maturity applies, on the occurrence of a Credit Event and an Event Determination Date in relation to a Reference Entity, if the Calculation Agent determines that there is an Index Tranche Incurred Loss Amount or Index Tranche Incurred Recovery Amount with respect to such Reference Entity, for the purposes of calculating the interest due on the Index Tranche Credit Linked Notes, notwithstanding that the Index Tranche Final Redemption Amount shall be payable on the Index Tranche Final Auction Redemption Date or Index Tranche Final Cash Redemption Date (as applicable), each Index Tranche Credit Linked Note then outstanding shall be reduced by its *pro rata* share of the Principal Writedown Amount with effect from the Interest Suspension Accrual Date.

For the avoidance of doubt, interest shall continue to accrue on the Outstanding Aggregate Nominal Amount in accordance with Condition 3 (*Interest*) until the earlier of (i) the Scheduled Maturity Date and (ii) the final Index Tranche Auction Redemption Date or final Index Tranche Cash Redemption Date (as applicable).

(B) If Credit Payment on Maturity applies and Credit Linked Condition 5(a)(ii)(A) applies:

I the Index Tranche Levered Incurred Recovery Amount shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Interest Payment Date immediately following the Relevant Event Determination Date; and

II if "Credit Event Deferred Interest on Loss Amount" is specified in the Final Terms as applicable, the Index Levered Tranche Incurred Loss Amount shall accrue interest at the Funding Interest Rate from, and including, the Interest Suspension Accrual Date to, but excluding, the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

Interest accrued under this Credit Linked Condition 5(a)(ii)(B) shall be payable on the Interest Payment Date immediately following the Auction Final Price Determination Date or the Final Price Determination Date (as applicable), unless such Interest Payment Date falls less than five Business Days after the Auction Final Price Determination Date or Final Price Determination Date, in which case, such interest shall be payable on the

second Interest Payment Date following the Auction Final Price Determination Date or the Final Price Determination Date (as applicable).

(C) If Credit Payment on Maturity applies and Credit Linked Condition 5(a)(ii)(A) applies, the Aggregate Index Tranche Levered Incurred Recovery Amount shall accrue interest at the Funding Interest Rate in respect of each Interest Period from, and including, the Interest Payment Date immediately following the Auction Final Price Determination Date or Final Price Determination Date (as applicable) to, but excluding, the Index Tranche Final Auction Redemption Date or Index Tranche Final Cash Redemption Date (as applicable).

Interest accrued under this Credit Linked Condition 5(a)(ii)(C) shall be payable in arrear on each Interest Payment Date from, and including, the second Interest Payment Date following the Auction Final Price Determination Date or Final Price Determination Date (as applicable) to, and including, the Interest Payment Date immediately preceding the Index Tranche Final Auction Redemption Date or Index Tranche Final Cash Redemption Date (as applicable). Interest accrued for the period between the Interest Payment Date immediately preceding the Index Tranche Final Auction Redemption Date or Index Tranche Final Cash Redemption Date (as applicable) and the Index Tranche Final Auction Redemption Date or Index Tranche Final Cash Redemption Date (as applicable) shall be paid on the Index Tranche Final Auction Redemption Date or Index Tranche Final Cash Redemption Date (as applicable).

(b) *Redemption following a Credit Event*

Notwithstanding anything to the contrary in Condition 5 (*Redemption and Purchase*) and unless previously redeemed or purchased and cancelled, following the occurrence of a Relevant Event Determination Date, Index Tranche Credit Linked Notes may be redeemed in accordance with the "Auction Redemption" Credit Event Redemption Method, the "Cash Redemption" Credit Event Redemption Method or the "Fixed Recovery Redemption" Credit Event Redemption Method as specified in the Final Terms.

(i) Auction Redemption

(A) Credit Payment on Maturity Not Applicable

If Credit Payment on Maturity does not apply, on the relevant Index Tranche Auction Redemption Date, the Issuer shall redeem the Applicable Proportion of each Index Tranche Credit Linked Note by payment of the Index Tranche Redemption Amount (if any). The outstanding portion of each Index Tranche Credit Linked Note shall be redeemed at its *pro rata* share of the Outstanding Aggregate Nominal Amount on the Maturity Date, subject to the occurrence of further Credit Events in respect of any Reference Entities. Payment by the Issuer of the Index Tranche Redemption Amount on the relevant Index Tranche Auction Redemption Date, or if the Index Tranche Redemption Amount is zero, the occurrence of the Index Tranche Auction Redemption Date, shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Proportion of the relevant Index Tranche Credit Linked Note.

If, as a result of a Credit Event in respect of a Reference Entity, the Calculation Agent determines that the Outstanding Aggregate Nominal Amount will be reduced to zero, the Index Tranche Credit Linked Notes shall be redeemed by payment of the final Index Tranche Redemption Amount on the relevant Index Tranche Auction Redemption Date (together with any accrued interest calculated to, but excluding, the relevant Index Tranche Auction Redemption Date) and no further amount (including any Final Redemption Amount) shall be payable on the Index Tranche Credit Linked Notes. Upon payment of the final Index Tranche Redemption Amount, the Issuer shall have discharged its obligation in respect of such Index Tranche Credit Linked Note and shall have no further liability or obligation in respect thereof.

(B) Credit Payment on Maturity Applicable

If Credit Payment on Maturity applies, following the occurrence of a Relevant Event Determination Date, then the Issuer shall redeem each Index Tranche Credit Linked Note in whole on the Index Tranche Final Auction Redemption Date at the Index Tranche Final Redemption Amount.

(ii) Cash Redemption

(A) Credit Payment on Maturity Not Applicable

If Credit Payment on Maturity does not apply, on the relevant Index Tranche Cash Redemption Date, the Issuer shall redeem the Applicable Proportion of each Index Tranche Credit Linked Note by payment of the Index Tranche Redemption Amount (if any). The outstanding portion of each Index Tranche Credit Linked Note shall be redeemed at its *pro rata* share of the Outstanding Aggregate Nominal Amount on the Maturity Date, subject to the occurrence of further Credit Events in respect of any Reference Entities. Payment by the Issuer of the Index Tranche Redemption Amount on the Index Tranche Cash Redemption Date, or if the Index Tranche Redemption Amount is zero, the occurrence of the Index Tranche Cash Redemption Date, shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Proportion of the relevant Index Tranche Credit Linked Note.

If, as a result of a Credit Event in respect of a Reference Entity, the Calculation Agent determines that the Outstanding Aggregate Nominal Amount will be reduced to zero, the Index Tranche Credit Linked Notes shall be redeemed by payment of the final Index Tranche Redemption Amount on the relevant Index Tranche Cash Redemption Date (together with any accrued interest calculated to, but excluding, the relevant Index Tranche Cash Redemption Date) and no further amount (including any Final Redemption Amount) shall be payable on the Index Tranche Credit Linked Notes. Upon payment of the final Index Tranche Redemption Amount, the Issuer shall have discharged its obligation in respect of such Index Tranche Credit Linked Note and shall have no further liability or obligation in respect thereof.

(B) Credit Payment on Maturity Applicable

If Credit Payment on Maturity applies, following the occurrence of a Relevant Event Determination Date, then the Issuer shall redeem each Index Tranche Credit Linked Note in whole on the Index Tranche Final Cash Redemption Date at the Index Tranche Final Redemption Amount.

(iii) Fixed Recovery Redemption

If "Fixed Recovery Redemption" is specified as the Credit Event Redemption Method in the relevant Final Terms, then, following the occurrence of a Relevant Event Determination Date, redemption of the Applicable Proportion of each Index Tranche Credit Linked Note shall take place in accordance with Credit Linked Condition 5(b)(ii) (*Redemption Following a Credit Event - Cash Redemption*), provided that the Loss Amount and the Recovery Amount shall be determined using the Fixed Recovery Percentage specified in the relevant Final Terms instead of the Auction Final Price or Final Price, as further set out in the definitions of Loss Amount and Recovery Amount in Credit Linked Condition 5(d) (*Definitions*).

(c) *Notice of Index Tranche Redemption Amount*

(i) Auction Redemption

Following the determination of the Index Tranche Redemption Amount or the Index Tranche Final Redemption Amount (as applicable), the Issuer shall, or may cause the Agent to, deliver a notice in accordance with Condition 3 (*Interest*) to the Noteholders specifying the relevant Index Tranche Redemption Amount or Index Tranche Final Redemption Amount, including the Auction Final Price and the Unwind Costs (provided that any failure to give such notice to the Agent or Noteholders shall not affect any determinations made by the Issuer and/or the

Calculation Agent or the rights of the Issuer to redeem the Index Tranche Credit Linked Notes or the Applicable Proportion thereof).

(ii) Cash Redemption

Following the determination of the Index Tranche Redemption Amount or the Index Tranche Final Redemption Amount (as applicable), the Issuer shall, or may cause the Agent to, deliver a notice in accordance with Condition 20 (*Notices*) to the Noteholders specifying, to the extent applicable:

(A) the Valuation Obligation(s) which were the subject of the Quotation;

(B) the Valuation Date;

(C) the Quotation Amount;

(D) the Quotations obtained;

(E) the Final Price (if applicable);

(F) the Fixed Recovery Percentage (if applicable);

(G) the Index Tranche Redemption Amount or Index Tranche Final Redemption Amount (as applicable); and

(H) if applicable, any Unwind Costs.

(d) *Definitions*

For the purposes of the Index Tranche Credit Linked Notes only, the following terms have the meanings given in this Credit Linked Condition 5(d) (*Definitions*).

"**Aggregate Index Tranche Levered Incurred Recovery Amount**" means the aggregate of all Index Tranche Levered Incurred Recovery Amounts calculated with respect to all Reference Entities for such Index Tranche Credit Linked Note.

"**Aggregate Loss Amount**" means the aggregate of all Loss Amounts calculated with respect to all Reference Entities for such Index Tranche Credit Linked Note.

"**Aggregate Recovery Amount**" means, at any time on any day, the aggregate of all Recovery Amounts calculated with respect to all Reference Entities for such Index Tranche Credit Linked Note.

"**Attachment Point**" means the percentage specified as such in the Final Terms.

"**Detachment Point**" means the percentage specified as such in the Final Terms.

"**Index Tranche Auction Redemption Date**" means, in respect of a Reference Entity and a Credit Event, the date that is the number of Business Days specified in the related relevant Final Terms (or, if a number of Business Days is not so specified, five Business Days) following the Auction Settlement Date, any Auction Cancellation Date or any No Auction Announcement Date, if later; or (iv) such other date as is specified in the Final Terms.

"**Index Tranche Cash Redemption Date**" means, in respect of a Reference Entity and a Credit Event, (i) if "Cash Redemption" is the Credit Event Redemption Method or the Fallback Redemption Method, the date that is the number of Business Days specified in the relevant Final Terms (or, if a number of Business Days is not so specified, five Business Days) following the calculation of the relevant Final Price; and (ii) if Fixed Recovery Redemption is the Credit Event Redemption Method, the date that is the number of Business Days specified in the Final Terms (or, if a number of Business Days is not so specified, five Business Days) following (a) the Event Determination Date, or (b) if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of "Event Determination Date" or sub-paragraph (b)(i) of the definition of "Non-Standard Event Determination Date", the day on which the Applicable DC Credit Event Announcement occurs.

"**Index Tranche Final Auction Redemption Date**" means the later to occur of (A) the Index Tranche Auction Redemption Date with respect to the final Credit Event occurring in respect of a Reference Entity and (B) the Scheduled Maturity Date.

"**Index Tranche Final Cash Redemption Date**" means the later to occur of (A) the Index Tranche Cash Redemption Date with respect to the final Credit Event occurring in respect of a Reference Entity and (B) the Scheduled Maturity Date.

"**Index Tranche Final Redemption Amount**" shall be an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) A + B – C and (b) the Outstanding Aggregate Nominal Amount, where:

"A" is the Outstanding Aggregate Nominal Amount;

"B" is the sum of all Aggregate Index Tranche Levered Incurred Recovery Amount; and

"C" is the Aggregate Unwind Costs, if applicable.

"**Index Tranche Incurred Loss Amount**" means, unless otherwise specified in the Final Terms, in respect of a Reference Entity in respect of which a Relevant Credit Event and an Event Determination Date has occurred, an amount equal to the lower of:

(i) the Loss Amount in respect of the affected Reference Entity;

(ii) the Aggregate Loss Amount (including the Loss Amount for the affected Reference Entity) minus the Loss Threshold Amount (subject to a minimum of zero); and

(iii) the Tranche Size.

"**Index Tranche Incurred Recovery Amount**" means, unless otherwise specified in the Final Terms, in respect of a Reference Entity in respect of which a Credit Event and an Event Determination Date have occurred an amount calculated by the Calculation Agent which is equal to the lower of:

(i) the Recovery Amount in respect of the affected Reference Entity;

(ii) the Aggregate Recovery Amount (calculated taking into account the Recovery Amount for such affected Reference Entity) minus the Recovery Threshold Amount (subject to a minimum of zero); and

(iii) the Outstanding Aggregate Nominal Amount (prior to any reduction thereto in respect of such affected Reference Entity).

"**Index Tranche Levered Incurred Loss Amount**" means the product of (i) the Index Tranche Incurred Loss Amount and (ii) the Leverage.

"**Index Tranche Levered Incurred Recovery Amount**" means the product of (i) the Index Tranche Incurred Recovery Amount and (ii) the Leverage.

"**Index Tranche Redemption Amount**" shall be an amount calculated by the Calculation Agent equal to the greater of (i) zero and (ii) the lesser of (a) A – B and (b) C, where,

"A" is the Index Tranche Levered Incurred Recovery Amount;

"B" is the Unwind Costs; and

"C" is the Applicable Proportion of the Index Tranche Credit Linked Note.

"**Leverage**" means the percentage specified as such in the Final Terms, provided that if no percentage is specified or "**Leverage**" is specified as "**Not Applicable**" then, for the purposes of this Credit Linked Condition 5 (*Index Tranche Credit Linked Notes*), the Leverage shall be 100%.

"**Levered Tranche Size**" means the product of (i) the Tranche Size and (ii) the Leverage.

"**Loss Amount**" means, with respect to a Reference Entity (subject, in each case, to a minimum of zero), (a) if "Auction Redemption" is specified as the Credit Event Redemption Method, an amount equal to the product of (i) 100% minus the Auction Final Price and (ii) the Reference Entity Notional Amount for that Reference Entity, (b) if "Cash Redemption" is specified as the Credit Event Redemption Method, or if Cash Redemption applies as the Fallback Redemption Method, an amount equal to the product of (i) 100% minus the Final Price and (ii) the Reference Entity Notional Amount for that Reference Entity, and (c) if "Fixed Recovery Redemption" is specified as the Credit Event

Redemption Method, an amount equal to the product of (i) 100% minus the Fixed Recovery Percentage and (ii) the Reference Entity Notional Amount for that Reference Entity.

"**Loss Threshold Amount**" means the amount specified in the Final Terms which shall be the product of the Original Aggregate Nominal Amount and the Attachment Point.

"**Principal Writedown Amount**" means, in respect of a Reference Entity and a Credit Event, the sum of the Index Tranche Levered Incurred Recovery Amount and the Index Tranche Levered Incurred Loss Amount in respect of the Reference Entity in respect of which the Relevant Credit Event has occurred.

"**Recovery Amount**" means, with respect to an Index Tranche Credit Linked Note and a Reference Entity, (a) if "Auction Redemption" is specified as the Credit Event Redemption Method, an amount equal to the lower of 100% and the Auction Final Price, multiplied by the Reference Entity Notional Amount for that Reference Entity, (b) if "Cash Redemption" is specified as the Credit Event Redemption Method, or if Cash Redemption applies as the Fallback Redemption Method, an amount equal to the lower of 100% and the Final Price, multiplied by the Reference Entity Notional Amount for that Reference Entity, and (c) if "Fixed Recovery Redemption" is specified as the Credit Event Redemption Method, an amount equal to the lower of 100% and the Fixed Recovery Percentage, multiplied by the Reference Entity Notional Amount for that Reference Entity.

"**Recovery Threshold Amount**" means the amount specified in the Final Terms which shall be the product of (a) the Original Aggregate Nominal Amount and (b) 100% minus the Detachment Point.

"**Reference Entity Notional Amount**" means, with respect to each Reference Entity, the product of the Original Aggregate Nominal Amount and the Weighting for such Reference Entity.

"**Tranche Size**" means the amount specified in the Final Terms which shall be (a) the Original Aggregate Nominal Amount of the Index Tranche Credit Linked Notes multiplied by (b) the Detachment Point minus the Attachment Point.

## 6 Credit Event Notice and Notice of Publicly Available Information

(a) If a Credit Event Notice and, if applicable, a Notice of Publicly Available Information is required to be delivered for an Event Determination Date to occur, the Issuer shall deliver a Credit Event Notice and, if applicable, a Notice of Publicly Available Information to the Agent and the Agent will deliver a copy of the Credit Event Notice and, if applicable, the Notice of Publicly Available Information to the Noteholders in accordance with Condition 20 (*Notices*) (provided that failure to deliver a copy of such Credit Event Notice and/or such Notice of Publicly Available Information to the Noteholders shall not affect the effectiveness of the Credit Event Notice and/or the Notice of Publicly Available Information, as determined by the Issuer and/or the Calculation Agent, or the rights of the Issuer to redeem the Credit Linked Notes (or, with respect to the Basket Credit Linked Notes or Index Tranche Credit Linked Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof)).

(b) If a Credit Event Notice is not required to be delivered in order for an Event Determination Date to occur, then the Issuer shall give written notice not less than five Business Days prior to the date for redemption of the Notes (or a portion thereof) containing the same information required to be included in a Credit Event Notice to the Agent and the Agent will deliver a copy of such notice to the Noteholders in accordance with Condition 20 (*Notices*) (provided that any failure to give such notice to the Agent or Noteholders shall not affect any determinations made by the Issuer and/or the Calculation Agent or the rights of the Issuer to redeem the Credit Linked Notes (or, with respect to the Basket Credit Linked Notes or Index Tranche Credit Linked Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof)).

(c) The Calculation Agent's determination of a Credit Event will, in the absence of manifest error and subject to the definition of "Event Determination Date", be conclusive and binding on all persons (including, without limitation, the Agent and each Noteholder).

(d) None of the Issuer, the Calculation Agent, the Agent and the Paying Agents will have any liability whatsoever for the failure of the Calculation Agent for any reason to determine that a Credit Event has occurred or with respect to the Issuer's timing as to when to deliver a Credit Event Notice (or any such

other notice required to be delivered by the Issuer to the Agent, the Noteholder(s) or any other party in accordance with these Credit Linked Conditions including a Notice of Publicly Available Information) nor will they have any duty or responsibility to investigate or check whether any Credit Event has, or may have, occurred or may be continuing. In addition, the failure of the Issuer or the Agent to deliver the Credit Event Notice shall not affect the effectiveness of any determination made, or any other notice delivered, by the Issuer or the Calculation Agent in respect of a relevant Reference Entity.

## 7 Relevant Time

(a) Subject to Credit Linked Condition 20 (*Notices*) and Credit Linked Condition 7(b) (*Relevant Time*), in order to determine the day on which an event occurs for purposes of these Credit Linked Conditions, the demarcation of days shall be made by reference to Greenwich Mean Time (or Tokyo time if the Calculation Agent determines that Tokyo time is the market convention with respect to the relevant Reference Entity), irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.

(b) Notwithstanding the definition of "Credit Event Notice" and Credit Linked Condition 7(a) (*Relevant Time*), if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or Tokyo time if the Calculation Agent determines that Tokyo time is the market convention with respect to the relevant Reference Entity), irrespective of the time zone of its place of payment.

## 8 Event Determination Date Adjustment Payment

If, following the determination of an Event Determination Date, such Event Determination Date is deemed either to have occurred on a date that is different from the date that was originally determined to be the Event Determination Date or not to have occurred, or an Event Determination Date is deemed to have occurred prior to a preceding Interest Payment Date, the Calculation Agent will determine (A) the adjustment payment, if any, that is payable to reflect any change that may be necessary to the amount previously calculated and/or paid in respect of the relevant Series and (B) the date in which such adjustment payment is payable, if any. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment.

## 9 Maturity Date Extension

(a) Where the Calculation Agent determines on or prior to the Scheduled Maturity Date, in its sole and absolute discretion, that one or more Reference Entities is or may be subject to (i) a Credit Event, (ii) if "Grace Period Extension" is specified as being applicable in the relevant Final Terms, a Potential Failure to Pay or, (iii) if "Repudiation/Moratorium" is specified as being applicable in the relevant Final Terms, a Potential Repudiation/Moratorium, it shall notify the Agent and the Credit Linked Notes then outstanding shall not be redeemed on the Scheduled Maturity Date but shall be redeemed instead on the Extended Maturity Date.

(b) If any amount is payable on the Scheduled Maturity Date of a Credit Linked Note to which the provisions of Credit Linked Condition 9 (*Maturity Date Extension*) apply, such amount shall fall due on the Extended Maturity Date and shall be payable without any interest or other sum payable in respect of the postponement of the payment of such amount.

## 10 M(M)R Restructuring Credit Event

(a) *Credit Event Notice after M(M)R Restructuring Credit Event*

Upon the occurrence of an M(M)R Restructuring, the Issuer may deliver multiple Credit Event Notices with respect to such M(M)R Restructuring Credit Event, each such Credit Event Notice setting forth the amount of the Original Aggregate Nominal Amount of the Credit Linked Notes to which such Credit Event Notice applies which may, if the Notes are Single Name Credit Linked Notes, be less than the Original Aggregate Nominal Amount of such Credit Linked Notes or, if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, may be less than the Reference Entity

Notional Amount of the affected Reference Entity (the aggregate of such amounts with respect to a Series, the "**Exercise Amount**"); provided that if the Credit Event Notice does not specify an Exercise Amount, then either (i) if the Notes are Single Name Credit Linked Notes, the Outstanding Aggregate Nominal Amount of the Credit Linked Notes outstanding immediately prior to the delivery of such Credit Event Notice or (ii) if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the relevant Reference Entity Notional Amount outstanding in respect of the affected Reference Entity, (and, in either case, not a portion thereof) will be deemed to have been specified as the Exercise Amount. Accordingly, notwithstanding anything to the contrary in these Credit Linked Conditions, where an M(M)R Restructuring Credit Event has occurred and the Issuer has delivered a Credit Event Notice for an Exercise Amount that is less than (i) the Original Aggregate Nominal Amount of the Notes, or (ii) the Reference Entity Notional Amount outstanding in respect of the affected Reference Entity, in each case as at the date immediately prior to the delivery of such Credit Event Notice, as applicable, the provisions of these Credit Linked Conditions shall be deemed to apply to a principal amount of the Notes equal to the Exercise Amount only and all the provisions shall be construed accordingly.

(b) *Redemption of Notes following partial exercise*

If the Issuer has delivered a Credit Event Notice in respect of an M(M)R Restructuring that specifies an Exercise Amount that is less than the Original Aggregate Nominal Amount of the Credit Linked Notes and, in the case of Single Name Credit Linked Notes, only one Reference Entity is specified for the Credit Linked Notes, or, in the case of Basket Credit Linked Notes or Index Tranche Credit Linked Notes, in relation to a Reference Entity that specifies an Exercise Amount that is less than such Reference Entity's Reference Entity Notional Amount), then:

(i) the relevant provisions of Credit Linked Conditions 3 (*Single Name Credit Linked Notes*), 4 (*Basket Credit Linked Notes*) and 5 (*Index Tranche Credit Linked Notes*) relating to Redemption of Credit Linked Notes shall apply to the Exercise Amount, including for the purposes of calculating the Redemption Amount to be Delivered to Noteholders. In such circumstances, the Calculation Agent may adjust such provisions of the Credit Linked Conditions and/or relevant Final Terms as it determines appropriate to take account of this Credit Linked Condition 10 (*M(M)R Restructuring Credit Event*), including the basis of the calculation of any Redemption Amount;

(ii) following any payment of a Redemption Amount to Noteholders or any other determination made in respect of any Exercise Amount, the Reference Entity Notional Amount for the relevant Reference Entity shall be reduced by an amount equal to the Exercise Amount (and for the avoidance of doubt, the aggregate of the Reference Entity Notional Amounts shall be reduced accordingly). The Notes in an amount equal to the Outstanding Aggregate Nominal Amount shall remain outstanding and interest (if applicable) shall accrue on the Outstanding Aggregate Nominal Amount as provided for in Condition 3 (*Interest*) and the Issuer may thereafter deliver one or more further Credit Event Notices in respect of such Outstanding Aggregate Nominal Amount to which the Credit Linked Conditions shall continue to apply; and

(iii) the Calculation Agent may adjust the provisions of these Credit Linked Conditions and/or the relevant Final Terms in such manner as it may determine to be appropriate to account for such event.

(c) *Endorsement of Global Note*

If the provisions of this Credit Linked Condition 10 (*M(M)R Restructuring Credit Event*), apply in respect of the Credit Linked Notes, on any redemption of part of each such Credit Linked Note, the relevant Credit Linked Note or, if the Credit Linked Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.

## 11 Auction Redemption Terms

(a) *Fallback Redemption*

If the Calculation Agent determines:

(i) except where the Issuer delivers a Notice to Exercise Movement Option to the Agent on or prior to the Movement Option Cut-off Date pursuant to Credit Linked Condition 11(b) (*Movement Option*), that with respect to a Credit Event, no Applicable Auction is being, or will be, held; or

(ii) with respect to a Credit Event and any relevant Applicable DC Credit Event Question, Applicable Resolution and/or Applicable Auction, that (A) an Auction Cancellation Date has occurred, (B) a No Auction Announcement Date has occurred (and, in circumstances where such No Auction Announcement Date occurs pursuant to Credit Linked Condition 11(a) (*Fallback Redemption*) or sub-paragraph (c)(ii) under the definition of "No Auction Announcement Date", the Calculation Agent has not exercised the Movement Option), (C) a DC Credit Event Question Dismissal occurs or (D) a Relevant Event Determination Date was determined pursuant to sub-paragraph (a) of the definition of "Event Determination Date" or pursuant to sub-paragraph (a) of the definition of "Non-Standard Event Determination Date", and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Relevant Event Determination Date, or (E) a Relevant Event Determination Date was determined pursuant to sub-paragraph (b)(ii)(B)(II)(2) of the definition of "Non-Standard Event Determination Date",

then, Cash Redemption shall apply and the Issuer shall redeem each Note as if Cash Redemption had been specified as the Credit Event Redemption Method.

(b) *Movement Option*

If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified in the relevant Final Terms and the Calculation Agent determines in respect of a Restructuring Credit Event that a No Auction Announcement Date has occurred pursuant to sub-paragraph (b) of the definition of "No Auction Announcement Date", the Issuer may elect in its sole and absolute discretion to deliver a Notice to Exercise Movement Option to the Calculation Agent at any time on or prior to the Movement Option Cut-off Date. If a Notice to Exercise Movement Option is so delivered, then provided that the related Event Determination Date is not reversed on or prior to the relevant Redemption Date, redemption of the Credit Linked Notes (or, if the Credit Linked Notes are Basket Credit Linked Notes, or Index Tranche Credit Linked Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion of the Credit Linked Notes), shall take place by payment by the Issuer of the relevant Redemption Amount on the relevant Redemption Date, for which purposes the Redemption Amount and the Redemption Date shall be determined by reference to the relevant Parallel Auction identified by the Issuer in the Notice to Exercise Movement Option. If a Notice to Exercise Movement Option is delivered by the Issuer, all references in these Credit Linked Conditions to "Applicable Auction", "Applicable Auction Settlement Terms", "Auction Cancellation Date" and "Auction Final Price Determination Date" shall be deemed to be references to the "Parallel Auction", "Parallel Auction Settlement Terms" and "Parallel Auction Cancellation Date" and the terms of these Credit Linked Conditions shall be construed accordingly.

(c) *Auction Final Price of the Asset Package*

If an Asset Package Credit Event has occurred and the Auction Final Price for the Applicable Auction reflects the entire relevant Asset Package in respect of the Prior Deliverable Obligation(s) or Package Observable Bond(s) (as applicable) (including any cash forming part of the Asset Package and the Asset Market Value of any Non-Financial Instrument or Non-Transferable Instrument), the Redemption Amount shall be determined using the Auction Final Price. If the Calculation Agent determines that the Auction Final Price does not reflect the price of the entire relevant Asset Package, as determined above, the Calculation Agent shall make such adjustment to the Auction Final Price and/or the relevant Redemption Amount in its sole and absolute discretion as it deems necessary to reflect the value of the Asset Package and to preserve the economic effects of the terms of the Notes and for such purposes the Calculation Agent may take into account any method of determining the

Asset Market Value of any Asset that is a Non-Transferable Instrument or a Non-Financial Instrument forming part of the Asset Package but that has not been taken into in the Auction Final Price that may be published by the DC Secretary.

## 12 Cash Redemption Terms

(a) On the Valuation Date, the Calculation Agent shall commence determination of the Final Price using the Valuation Obligations to be valued selected in its discretion, acting in a commercially reasonable manner.

(b) If:

(i) "Include Accrued Interest" is specified in the relevant Final Terms, the Outstanding Principal Balance of the Valuation Obligations shall include accrued but unpaid interest;

(ii) "Exclude Accrued Interest" is specified in the relevant Final Terms, the Outstanding Principal Balance of the Valuation Obligations shall not include accrued but unpaid interest; or

(iii) neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the relevant Final Terms, the Calculation Agent shall determine, based on the then current market practice in the market of the Valuation Obligation whether the Outstanding Principal Balance of the Valuation Obligation shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof,

the Calculation Agent shall, as soon as reasonably practicable after obtaining all Quotations for a Valuation Date, notify the Issuer and the Agent in writing of each such Quotation that it receives in connection with the calculation of the Final Price together with a written computation showing such calculation and including the information specified in sub-paragraph (vi) of Credit Linked Condition 20(a) (*Notices required to be delivered*) and the Agent will deliver a copy of such notice to the Noteholders in accordance with Condition 20 (*Notices*) (provided that any failure to give such notice to Noteholders shall not affect any determination made by the Issuer or Calculation Agent or the rights of the Issuer to redeem the Credit Linked Notes (or, if the Notes are Basket Credit Notes or Index Tranche Credit Linked Notes, or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof)).

(c) If an Asset Package Credit Event has occurred, (A) valuation of a Prior Deliverable Obligation or Package Observable Bond specified in the notice to the Agent may be satisfied by valuation of the related Asset Package and such Asset Package shall be treated as having the same currency and Outstanding Principal Balance as that of the Prior Deliverable Obligation or Package Observable Bond, as applicable, to which it corresponds immediately prior to the Asset Package Credit Event, (B) if the Asset Package is zero, a Quotation shall be deemed to have been obtained for the Outstanding Principal Balance of the Prior Deliverable Obligation or Package Observable Bond (as applicable) equal to zero, and (C) for any other Asset Package the Calculation Agent shall determine the value of the Asset Package in its sole and absolute discretion and a Quotation shall be deemed to have been obtained for such valuation provided that the Calculation Agent may obtain Quotations for some or all of the components of the Asset Package and/or take account of any method of determining the Asset Market Value of any Asset that is a Non-Transferable Instrument or a Non-Financial Instrument that may be published by the DC Secretary.

## 13 Redemption Upon Merger Event

If "**Redemption Following Merger**" is specified as being applicable in the Final Terms then:

(a) If at any time the Issuer becomes aware that any Noteholder is a Reference Entity, the Issuer may, in its sole and absolute discretion, elect to redeem all of the Credit Linked Notes of that Noteholder (and the Redemption Amount shall, notwithstanding the Credit Linked Conditions, be an amount determined by the Calculation Agent, acting in a commercially reasonable manner, to be fair (which may, for the avoidance of doubt, be zero)).

(b) In the event that the Issuer and/or the Calculation Agent determines, in its discretion, acting in a commercially reasonable manner, that a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with Condition 20 (*Notices*) and redeem or cancel, as applicable, all of the Credit Linked Notes and the Redemption Amount shall, notwithstanding the Credit Linked Conditions, be zero.

The Issuer shall not be responsible for monitoring the identity of each Noteholder from time to time for the purpose of enabling the Issuer to exercise its rights hereunder or otherwise.

## 14 Redemption Failure Event

(a) If a Redemption Failure Event has occurred and exists on the Scheduled Maturity Date or Redemption Date, the obligation of the Issuer to pay the Redemption Amount will be postponed without further act or notice and such payment will be made on a Business Day selected by the Issuer on which such Redemption Failure Event no longer exists, provided that, if such Redemption Failure Event continues to exist on the tenth Business Day after the Scheduled Maturity Date or Redemption Date or other scheduled payment or delivery date (including a date scheduled to be the Delivery Date) in respect of an amount required to be paid, the Noteholder may request the Issuer in writing to make payment of such amount to such account or to such other person as the Noteholder specifies, provided that, the Issuer first receives an irrevocable and unconditional release and indemnity in respect of liabilities arising therefrom to its sole and absolute satisfaction.

(b) Continuing Redemption Failure Event

Notwithstanding anything to the contrary in the Conditions, if the Issuer determines (in its discretion, acting in a commercially reasonable manner) that such Redemption Failure Event continues to exist on the 90th calendar day after the Scheduled Maturity Date or Redemption Date or other scheduled payment or delivery date (including a date scheduled to be the Delivery Date) (a "**Continuing Redemption Failure Event**") in respect of an amount required to be paid where the Noteholder has not elected for payment to be made to a third party (if applicable) in accordance with sub-paragraph (a) (*Redemption Failure Event*) above, or Valuation Obligations to be Delivered (as the case may be) no such payment or Delivery will be made by the Issuer and the Issuer's obligations to the Noteholder hereunder will be deemed to be fully discharged as of that date.

(c) Any postponement or deemed discharge of payment pursuant to this Credit Linked Condition 14 (*Redemption Failure Event*) will not constitute a default hereunder (including for the purpose of Condition 16 (*Events of Default*)) and will not entitle the relevant Noteholder to any additional interest or other payment as a result thereof.

## 15 Effect of DC Announcements

(a) *Event Determination Dates*

(i) Reversal of DC Credit Event Announcement

If an Event Determination Date is subsequently reversed prior to the relevant Auction Final Price Determination Date, a Valuation Date, a Redemption Date or the Scheduled Maturity Date, a Credit Event shall be deemed not to have occurred with respect to the Reference Entity for the purposes of these Credit Linked Conditions.

(ii) Basket Credit Linked Notes and Index Tranche Credit Linked Notes

Where the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, an Event Determination Date may occur in respect of each Reference Entity comprised in the Basket provided that, other than in respect of a Restructuring, an Event Determination Date shall apply only once to each such Reference Entity.

(b) *Redemption Suspension*

If, following the occurrence of a Relevant Event Determination Date but prior to the relevant Redemption Date or, to the extent applicable, a Valuation Date in respect of a Reference Entity, there is an Applicable DC Credit Event Meeting Announcement, all timing requirements in these Credit

Linked Conditions that pertain to settlement shall toll and remain suspended until the date of the Applicable DC Credit Event Announcement or Applicable DC Credit Event Question Dismissal, as applicable. During such suspension period, the Issuer is not obliged to take any action in connection with the settlement of such Credit Event or the redemption, if any, of the Credit Linked Notes. Once the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal has occurred, the relevant timing requirements that pertain to settlement that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary with the Issuer having the benefit of the full day notwithstanding when the tolling or suspension began. The Issuer shall deliver, or cause the Agent to deliver, a notice (a "**Redemption Suspension Notice**") in accordance with Condition 20 (*Notices*) to the Noteholders giving notice of any suspension or resumption of timing requirements pursuant to this Credit Linked Condition 15 (*Effect of DC Announcements*).

## 16 Successor Provisions

(a) *Successor Determinations*

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date, any Successor or Successors provided that the Calculation Agent will not make such determination if, at the time of the determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations.

The Calculation Agent will make all calculations and determinations required to be made under this definition on the basis of Eligible Information and will notify the Agent of any such calculation or determination as soon as practicable. In calculating the percentages used to determine whether an entity qualifies as a Successor under this Credit Linked Condition 16(a) (*Successor Determinations*), if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

(b) *Joint Potential Successors*

If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**") either directly or as a provider of a Relevant Guarantee, then (a) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (b) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

(c) *Multiple Successors*

Following a Succession Date if more than one Successor has been identified, the Credit Linked Notes will be amended without the consent of the Noteholders to reflect the following terms:

(i) each Successor will be a Reference Entity and more than one Credit Event may occur during the Term of the Credit Linked Notes but, subject to Credit Linked Condition 10 (*M(M)R Restructuring Credit Event*), once only in relation to each Successor;

(ii) with respect to Single Name Credit Linked Notes, where a Credit Event occurs in respect of a Reference Entity after such Succession Date, the Credit Linked Notes will not redeem in whole in respect of a Successor but instead the provisions of these Credit Linked Conditions shall be deemed to apply to the nominal amount represented by that Reference Entity only (the "**Partial Nominal Amount**"), the Credit Linked Notes shall, thereafter, be redeemed in part (such redeemed part being equal to a Noteholder's pro rata share of the Partial Nominal Amount) (provided that if Credit Payment on Maturity applies such partial redemption shall occur only on the Final Cash Redemption Date or Final Auction Redemption Date (as applicable)) and the Credit Linked Conditions and/or the Final Terms shall be construed accordingly. Following

such event, the Credit Linked Notes shall remain outstanding in an amount equal to the Outstanding Aggregate Nominal Amount of the Credit Linked Notes and interest shall accrue on the Outstanding Aggregate Nominal Amount of the Credit Linked Notes only (in accordance with these Credit Linked Conditions, adjusted in such manner as the Calculation Agent in its discretion, acting in a commercially reasonable manner, determines to be appropriate to reflect the economic effects of the identification of more than one Successor); and

(iii) with respect to Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the Reference Entity Notional Amount of the original Reference Entity will be divided equally between the number of Successors and the Calculation Agent shall determine the relevant type of Reference Entity (including any Relevant Obligation and Valuation Obligation Category and Valuation Obligation Characteristics in its discretion, acting in a commercially reasonable manner) by reference to market practice in such type of Reference Entity. If a single entity would be a Reference Entity hereunder more than once, then it will be deemed to be a Reference Entity only once, and the Reference Entity Notional Amount for such Reference Entity will be the sum of the Reference Entity Notional Amounts otherwise applicable to it (and such change shall have no effect on the Outstanding Aggregate Nominal Amount of the Basket Credit Linked Notes or the Index Tranche Credit Linked Notes).

(d) *Exchange Offer*

In the case of an exchange offer, the determination required pursuant to sub-paragraph (a) of the definition of "Successor" shall be made on the basis of the Outstanding Principal Balance of Relevant Obligations exchanged and not on the basis of the Outstanding Principal Balance of the Exchange Bonds or Loans.

(e) *Eligible Successors*

An entity may only be a Successor if:

(i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;

(ii) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and

(iii) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.

## 17 Multiple Holder Obligation

Unless "Multiple Holder Obligation" is specified to be not applicable in the relevant Final Terms, then none of the events described in sub-paragraphs (i) to (iv) of the definition of "Restructuring" shall constitute a Restructuring unless the Obligation is a Multiple Holder Obligation, where "Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event (provided that sub-paragraph (ii) shall be deemed to be satisfied where the Obligation is a Bond).

## 18 Reference Obligation

(a) *Standard Reference Obligation and Non-Standard Reference Obligation*

(i) If "Standard Reference Obligation" is specified as applicable in the relevant Final Terms, then the Reference Obligation for the relevant Reference Entity will be the Standard Reference Obligation which is the Obligation of the relevant Reference Entity with the relevant Seniority Level specified from time to time on the SRO List published by ISDA on its website at www.isda.org from time to time (or any successor website thereto) or by a third party designated by ISDA for such purposes.

(ii) If "Standard Reference Obligation" is not specified as applicable in the relevant Final Terms then the Reference Obligation(s) for the relevant Reference Entity will be each Non-Standard Reference Obligation specified in the relevant Final Terms for such Reference Entity.

(b) *Substitute Reference Obligation*

(i) If a Substitution Event has occurred with respect to a Non-Standard Reference Obligation, the Calculation Agent may identify a Substitute Reference Obligation in accordance with sub-paragraphs (iii), (iv) and (v) of this Credit Linked Condition 18(b) (*Substitute Reference Obligation*) to replace such Non-Standard Reference Obligation; provided that the Calculation Agent will not identify an Obligation as the Substitute Reference Obligation if, at the time of the determination, such Obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such Obligation has not changed materially since the date of the relevant DC Resolution.

(ii) If any of the events set forth under sub-paragraph (a) or (c) of the definition of "Substitution Event" have occurred with respect to a Non-Standard Reference Obligation, such Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Valuation Obligation Characteristic and sub-paragraph (iii)(B) of this Credit Linked Condition 18(b) (*Substitute Reference Obligation*)). If the event set forth in sub-paragraph (b) of the definition of "Substitution Event" has occurred with respect to a Non-Standard Reference Obligation and no Substitute Reference Obligation is available, such Non-Standard Reference Obligation will continue to be a Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under sub-paragraph (a) or (c) of the definition of "Substitution Event" occur with respect to such Non-Standard Reference Obligation.

(iii) The Substitute Reference Obligation shall be an Obligation that on the Substitution Date:

(A) is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a Guarantee);

(B) satisfies the Not Subordinated Valuation Obligation Characteristic as of the date it was issued or incurred (without reflecting any change the priority of payment after such date) and on the Substitution Date; and

(C) (I) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:

1. is a Valuation Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation"; or if no such obligation is available,

2. is a Loan (other than a Private-side Loan) which constitutes a Valuation Obligation determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation";

(II) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:

1. is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,

2. is a Valuation Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation"; or if no such obligation is available,

3. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such Obligation is available,

4. is a Loan (other than a Private-side Loan) which constitutes a Valuation Obligation determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation"; or

(III) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:

1. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,

2. is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,

3. is a Valuation Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation"; or if no such Obligation is available,

4. is a Loan (other than a Private-side Loan) which constitutes a Valuation Obligation determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation".

(iv) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in sub-paragraph (iii) of this Credit Linked Condition 18(b) (*Substitute Reference Obligation*), the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Issuer under the relevant Series, as determined by the Calculation Agent. The Calculation Agent will (if a Substitute Reference Obligation has not been identified) notify the Agent of a Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with sub-paragraph (iii) of this Credit Linked Condition 18(b) (*Substitute Reference Obligation*) and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation immediately upon such notification.

(v) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation then, subject to sub-paragraph (i) of this Credit Linked Condition 18(b) (*Substitute Reference Obligation*) and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with sub-paragraph (ii) of this Credit Linked Condition 18(b) (*Substitute Reference Obligation*), the Calculation Agent may continue to attempt to identify the Substitute Reference Obligation.

(c) *Reference Obligation Only Series*

(i) If the event set out in sub-paragraph (a) of the definition of "Substitution Event" occurs with respect to the Reference Obligation in a Series of Notes in respect of a Reference Entity to which "Reference Obligation Only" applies, and such Reference Obligation is the only Reference Obligation for such Reference Entity, the Applicable Proportion of the Notes shall be redeemed at the fair market value of the Applicable Proportion of the Notes determined by the Issuer as at the Substitution Event Date and adjusted to take into account any Unwind Costs, if applicable. The Issuer shall deliver, or cause the Agent to deliver, a notice in accordance with Condition 20 (*Notices*) to the Noteholders stating the occurrence of such Substitution Event and setting out the Redemption Date in respect thereof, which shall be a date not earlier than the relevant Substitution Event Date.

(ii) Notwithstanding the definition of "Substitute Reference Obligation" (a) no Substitute Reference Obligation shall be determined in respect of the Reference Obligation for a Reference Entity to which "Reference Obligation Only" applies, and (b) if the events set out in sub-paragraph (b) or (c) of the definition of "Substitution Event" occur with respect to the Reference Obligation to which "Reference Obligation Only" applies, such Reference Obligation shall continue to be the Reference Obligation.

(d) *DC Substitute Reference Obligation Resolution*

Notwithstanding the provision of this Credit Linked Condition 18(b) (*Substitute Reference Obligation*), the Calculation Agent may, but shall not be obliged to, select as the Substitute Reference Obligation for a Series of Notes an Obligation of the relevant Reference Entity which is determined by DC Resolution to be the Substitute Reference Obligation to a Non-Standard Reference Obligation.

## 19 Calculation Agent Determination

(a) The Calculation Agent is responsible for, *inter alia*:

(i) determining a Successor or Successors and making any other determinations required to be made under Credit Linked Condition 16 (*Successor Provisions*);

(ii) determining whether (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments) (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding Obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any reason other than as described in (A) or (B) above and other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an Obligation of a Reference Entity;

(iii) identifying and determining a Substitute Reference Obligation;

(iv) in the event that multiple Credit Event Notices with respect to an M(M)R Restructuring Credit Event are delivered pursuant to Credit Linked Condition 10 (*M(M)R Restructuring Credit Event*), making any modifications required pursuant to that Credit Linked Condition;

(v) obtaining Quotations (and, if necessary, determining whether such Quotations shall include or exclude accrued but unpaid interest) and determining the Final Price in accordance with the applicable Valuation Method;

(vi) converting the Quotation Amount into the relevant Obligation Currency;

(vii) determining the Quotation Dealers (where none have been specified in the relevant Final Terms) and substituting Quotation Dealers;

(viii) determining the Currency Rate;

(ix) determining any Adjustment payment pursuant to Credit Linked Condition 8 (*Event Determination Adjustment Payment*);

(x) if "Include Accrued Interest" is specified in the relevant Final Terms with respect to Deliverable Obligations, determining accrued but unpaid interest; and

(xi) determining whether a Merger Event has occurred.

(b) The Calculation Agent shall as soon as practicable after making any of the determinations specified in sub-paragraphs (a)(i) to (xi) of this Credit Linked Condition 19 (*Calculation Agent Determination*) notify the Issuer of such determination.

(c) If any of the matters set out in this Credit Linked Condition 19 (*Calculation Agent Determination*) are decided and/or determined by a Credit Derivatives Determinations Committee, the Calculation Agent may follow such decision or determination to the extent such decision and/or determination is applicable to any Credit Linked Notes. In certain circumstances, the Calculation Agent shall be required to follow the decisions or determinations of a Credit Derivatives Determinations Committee or determinations made by the Calculation Agent may be overridden by subsequent determinations made by a Credit Derivatives Determinations Committee.

## 20 Notices

(a) *Notices required to be delivered*

The Issuer shall deliver, or may cause the Agent to deliver, notice to the Noteholders of the following, in accordance with Condition 20 (*Notices*), to the extent required to be delivered pursuant to the terms of the Credit Linked Notes:

(i) A Credit Event Notice and, if applicable, a Notice of Publicly Available Information;

(ii) A Successor Notice and, if applicable, details of any amendments to the weighting of each Reference Entity within the basket or index (as applicable) (provided that no Successor Notice shall be required following a determination by a Credit Derivatives Determinations Committee that a Succession Event has occurred);

(iii) If the terms of any Credit Linked Notes provide for the basket or index (as applicable) to be amended from time to time other than as a result of the identification of any Successor, details of any amendments to the basket or index (as applicable);

(iv) The designation of any Substitute Reference Obligation (provided that (A) no such notice shall be required following a determination by a Credit Derivatives Determinations Committee of a Substitute Reference Obligation has occurred and (B) the failure of the Issuer to deliver a notice to the Noteholders pursuant to this Credit Linked Condition 20 (*Notices*) shall not affect the effectiveness of any designation of such Substitute Reference Obligation by the Calculation Agent (such designation to be in accordance with these Credit Linked Conditions);

(v) A Notice of Suspended Interest;

(vi) Following the determination of the Redemption Amount with respect to any Credit Linked Notes in respect of which "Cash Redemption" is applicable as the Credit Event Redemption Method or Fallback Redemption Method, a notice specifying, to the extent applicable:

(A) the Valuation Obligation(s) which were the subject of the Quotation;

(B) the Valuation Date;

(C) the Quotation Amount;

(D) the Quotations obtained;

(E) the Final Price (if applicable);

(F) the Fixed Recovery Percentage (if applicable);

(G) the Principal Protected Amount (if applicable);

(H) the Redemption Amount; and

(I) if applicable, any Unwind Costs;

(vii) Following the determination of the Redemption Amount with respect to any Credit Linked Notes in respect of which "Auction Redemption" is applicable as the Credit Event Redemption Method, a notice specifying the Redemption Amount (including the Auction Final Price and, if applicable, the Unwind Costs);

(viii) A Notice to Exercise Movement Option;

(ix) A Repudiation/Moratorium Extension Notice; or

(x) A Redemption Suspension Notice.

(b) *Effectiveness of Notices*

(i) Notwithstanding Condition 20 (*Notices*), any notice required to be delivered by the Issuer to Noteholders in accordance with these Credit Linked Conditions shall be deemed to have been delivered to Noteholders upon delivery of such notice to the Agent. The failure of the Agent to deliver any such notice to Noteholders shall not affect the effectiveness of any notice delivered

by the Issuer or the effectiveness of any determinations by the Calculation Agent or the Issuer or, as applicable, the right of the Issuer to redeem the Credit Linked Notes (or, with respect to Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the Applicable Proportion thereof) pursuant to and in accordance with Credit Linked Condition 1 (*Redemption of Credit Linked Notes*).

(ii) Notwithstanding Condition 20 (*Notices*), a notice delivered by the Issuer to the Agent on or prior to 4:00 p.m. (London time) on an Issuer Business Day will be effective on such Issuer Business Day. A notice delivered after 4:00 p.m. (London time) on an Issuer Business Day will be deemed effective on the next following Issuer Business Day, regardless of the form in which it is delivered.

## 21 Definitions

The following definitions which relate to the Credit Linked Notes should be read in conjunction with the Credit Linked Conditions:

"**Affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Aggregate Unwind Costs**" means the aggregate of the Unwind Costs calculated in respect of the occurrence of each Relevant Credit Event and Relevant Event Determination Date.

"**Applicable Auction**" means an Auction which the Calculation Agent determines is relevant to a Credit Event with respect to a Reference Entity and Obligations thereof and which relates to deliverable obligations which would constitute Reference Obligation(s) and/or Valuation Obligation(s), as applicable, under the Notes (or if an Asset Package Credit Event has occurred, which relates to the Asset Package for obligations which would constitute Prior Deliverable Obligation(s) or Package Observable Bond(s), as applicable, under the Notes) (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s) and the relevant seniority level thereof, credit event, reference entity, obligations and deliverable obligations to which the Auction relates and, if the Auction relates to an M(M)R Restructuring, the Scheduled Maturity Date of the Notes and the scheduled termination date of the credit derivatives transactions covered by the Auction and the maturity date of the deliverable obligations to which the Auction relates, and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

"**Applicable Credit Derivatives Auction Settlement Terms**" means with respect to a Reference Entity, a Credit Event and an Applicable Auction, the Credit Derivatives Auction Settlement Terms (if any) which the Calculation Agent determines are relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s) and the relevant seniority level thereof, credit event, reference entity, obligation(s), deliverable obligations, Package Observable Bonds and Prior Deliverable Obligations (as applicable) which are the subject of the relevant Credit Derivatives Auction Settlement Terms and the Credit Events, Reference Entities and Obligations and Valuation Obligations under the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes). The Calculation Agent shall, as soon as practicable after the relevant Applicable Credit Derivatives Auction Settlement Terms are published, notify the Issuer that Applicable Credit Derivatives Auction Settlement Terms have been published with respect to a Reference Entity and a Credit Event and make a copy thereof available for inspection by Noteholders.

"**Applicable DC Credit Event Announcement**" means a DC Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof to which such DC Credit Event Announcement relates and the terms of the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

"**Applicable DC Credit Event Meeting Announcement**" means a DC Credit Event Meeting Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC Credit Event Meeting Announcement) and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

"**Applicable DC Credit Event Question**" means a DC Credit Event Question which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC Credit Event Question) and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

"**Applicable DC Credit Event Question Dismissal**" means a DC Credit Event Question Dismissal which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC Credit Event Question Dismissal) and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

"**Applicable DC No Credit Event Announcement**" means a DC No Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC No Credit Event Announcement and the Credit Events, Reference Entities and Obligations thereof under the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

"**Applicable Percentage**" means in respect of a Relevant Credit Event:

(a) if the Relevant Credit Event is not an M(M)R Restructuring Credit Event and the Note is a Single Name Credit Linked Note, 100 per cent.;

(b) if the Relevant Credit Event is not an M(M)R Restructuring Credit Event and the Note is a Basket Credit Linked Note, an amount (expressed as a percentage) equal to the Reference Entity Notional Amount of the Reference Entity to which the relevant Credit Event or the relevant redemption relates divided by the Original Aggregate Nominal Amount of the Basket Credit Linked Notes;

(c) if the Relevant Credit Event is not an M(M)R Restructuring Credit Event and the Note is a Index Tranche Credit Linked Note, an amount (expressed as a percentage) equal to the Principal Writedown Amount for the Reference Entity in respect of which a Credit Event has occurred divided by the Original Aggregate Nominal Amount of the Index Tranche Credit Linked Notes; or

(d) if the Relevant Credit Event is an M(M)R Restructuring Credit Event, means an amount (expressed as a percentage) equal to the Exercise Amount specified in the relevant Credit Event Notice relating to the relevant Reference Entity and Credit Event divided by the Original Aggregate Nominal Amount of the Notes.

"**Applicable Proportion**" means the Applicable Percentage multiplied by the Specified Denomination of each Credit Linked Note.

"**Applicable Resolution**" means a DC Resolution of a Credit Derivatives Determinations Committee which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, succession event, reference entity and obligation(s) thereof and any other factor to which the DC Resolution relates and the terms of the Notes and (b) any hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

"**Applicable Transaction Auction Settlement Terms**" means, with respect to a Reference Entity and a Credit Event, the relevant Credit Derivatives Auction Settlement Terms which the Calculation Agent determines constitute Applicable Credit Derivatives Auction Settlement Terms.

"**Asset**" means each obligation, equity, amount of cash, security, fee (including any "early-bird" or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the Reference Entity or a third party (or any value which was realised or capable of being realised in circumstances where the right and/or other asset no longer exists).

"**Asset Market Value**" means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee.

"**Asset Package**" means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event

(which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero. An Asset Package shall be treated as having the same currency and Outstanding Principal Balance as that of the Prior Deliverable Obligation or Package Observable Bond (as applicable) to which it corresponds immediately prior to the Asset Package Credit Event.

"**Asset Package Credit Event**" means:

(a) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the relevant Final Terms: (i) a Governmental Intervention; or (ii) a Restructuring in respect of the Reference Obligation of the relevant Reference Entity, if "Restructuring" is specified as applicable in the relevant Final Terms and such Restructuring does not constitute a Governmental Intervention; and

(b) if the Reference Entity is a Sovereign and "Restructuring" is specified as applicable in the relevant Final Terms, a Restructuring,

in each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.

"**Auction**" means, with respect to a Reference Entity and a Credit Event, unless otherwise specified in the Applicable Transaction Auction Settlement Terms an auction pursuant to which an Auction Final Price is to be determined in accordance with the auction procedure set out in the relevant Credit Derivatives Auction Settlement Terms.

"**Auction Cancellation Date**" means, with respect to an Auction, unless otherwise specified in the relevant Applicable Transaction Auction Settlement Terms, the date on which such Auction was deemed to have been cancelled as announced by the DC Secretary (and/or the administrators specified in the relevant Credit Derivatives Auction Settlement Terms) on its website or such other date as determined and announced in accordance with the relevant Applicable Transaction Auction Settlement Terms.

"**Auction Final Price**" means, with respect to an Applicable Auction, unless otherwise specified in the relevant Applicable Transaction Auction Settlement Terms, the price (expressed as a percentage) in respect of the deliverable obligations which would constitute Reference Obligation(s) and/or Valuation Obligation(s) under the Notes if an Asset Package Credit Event has resulted in such Applicable Auction, in respect of the Asset Package which results from either a Prior Deliverable Obligation or a Package Observable Bond under the Notes, determined to be the Auction Final Price in accordance with the relevant Applicable Transaction Auction Settlement Terms. The Calculation Agent shall as soon as practicable after publication of the Auction Final Price in respect of an Applicable Auction make available for inspection by Noteholders a copy of the relevant Applicable Transaction Auction Settlement Terms and copies of the relevant publication of the Auction Final Price. If an Asset Package Credit Event has occurred and the Calculation Agent determines that the Auction Final Price does not reflect the entire relevant Asset Package (including any cash forming part of the Asset Package and any cash in respect of the Asset Market Value of any Non-Financial Instrument or Non-Transferable Instrument), the Calculation Agent may make such adjustment as it deems necessary to the Auction Final Price in accordance with Credit Linked Condition 11(c) (*Auction Final Price of the Asset Package*).

"**Auction Final Price Determination Date**" means, with respect to an Applicable Auction, the day, if any, on which the Auction Final Price is determined or such other date as specified in the relevant Applicable Transaction Auction Settlement Terms.

"**Auction Settlement Date**" means the date which is the number of Business Days specified in the Applicable Transaction Auction Settlement Terms (or, if a number of Business Days is not specified, three Business Days) immediately following the Auction Final Price Determination Date.

"**Bankruptcy**" means the Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due, (c) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective, (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition

instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof, (e) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger), (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter, or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in sub-paragraphs (a) to (g) of this definition.

"**Basket Credit Linked Notes**" means Notes which are specified as such in the Final Terms, which are linked to the losses and recoveries in respect of either:

(a) two or more Reference Entities specified in the Final Terms; or

(b) the component Reference Entities of the Index specified in the Final Terms.

"**Conditionally Transferable Obligation**" means a 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 Valuation Obligation other than Bonds, in each case, as of the Valuation Date, provided, however, that a Valuation Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Valuation Obligation other than Bonds (or the consent of the relevant obligor if the Reference Entity is guaranteeing such Valuation Obligation) or any agent is required for such novation, assignment or transfer, so long as the terms of such Valuation Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, Agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

"**Conforming Reference Obligation**" means a Reference Obligation which is a Valuation Obligation determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation".

"**Continuing Redemption Failure Event**" has the meaning given to it in Credit Linked Condition 14(b) (*Continuing Redemption Failure Event*).

"**Credit Derivatives Auction Settlement Terms**" means any Credit Derivatives Auction Settlement Terms published by ISDA a form of which will be published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and may be amended from time to time. The Calculation Agent shall be authorised to construe any Credit Derivatives Auction Settlement Terms (including any Transaction Auction Settlement Terms or Parallel Auction Settlement Terms) in such manner as it shall determine in its discretion, acting in a commercially reasonable manner, to be necessary in order to give effect to the meaning of any word or expression used herein which is defined by reference to such Credit Derivatives Auction Settlement Terms.

"**Credit Derivatives Determinations Committee**" means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions.

"**Credit Event**" means, as determined by the Calculation Agent, the occurrence of one or more of the following Credit Events as specified in the relevant Final Terms: Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring or Governmental Intervention. If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

(a) any lack or alleged lack of authority or capacity of the Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;

(b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;

(c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or

(d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

"**Credit Event Backstop Date**" means (a) for the purposes of any event that constitutes a Credit Event (or, with respect to a Repudiation/Moratorium, if applicable, the event described in sub-paragraph (b) of the definition thereof), as determined by DC Resolution, the date that is sixty calendar days prior to the Credit Event Resolution Request Date or (b) otherwise, the date that is sixty calendar days prior to the earlier of (i) the "Notice Delivery Date", if the Notice Delivery Date occurs during the Notice Delivery Period and (ii) the Credit Event Resolution Request Date, if the Notice Delivery Date occurs during the Post Dismissal Additional Period. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"**Credit Event Notice**" means an irrevocable notice from the Issuer to the Agent which the Issuer has the right but not the obligation to deliver that:

(a) identifies the Series of Credit Linked Notes to which the Credit Event Notice relates;

(b) states the Issuer's intention to redeem all (or, with respect to Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the Applicable Proportion thereof) of the Credit Linked Notes and the relevant Credit Event Redemption Method; and

(c) describes a Credit Event that occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date.

Any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

A Credit Event Notice that describes a Credit Event other than an M(M)R Restructuring must be in respect of the full Reference Entity Notional Amount of the affected Reference Entity in the relevant Series.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective.

"**Credit Event Redemption Method**" means "Auction Redemption", "Cash Redemption", or "Fixed Recovery Redemption", as specified in the relevant Final Terms.

"**Credit Event Resolution Request Date**" means, with respect to a DC Credit Event Question, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

"**Credit Linked Note**" means a Single Name Credit Linked Note, a Basket Credit Linked Note or an Index Tranche Credit Linked Note.

"**DC Announcement Coverage Cut-off Date**" means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 14 calendar days following the No Auction Announcement Date, if any, as applicable.

"**DC Credit Event Announcement**" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for the purposes of the relevant Series has occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date provided that if the Credit Event occurred after the Scheduled Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

"**DC Credit Event Meeting Announcement**" means, with respect to the relevant Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.

"**DC Credit Event Question**" means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event in respect to a Reference Entity of the relevant Series has occurred.

"**DC Credit Event Question Dismissal**" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.

"**DC No Credit Event Announcement**" means, with respect to the relevant Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event with respect to such Reference Entity.

"**DC Resolution**" means a resolution of the Credit Derivatives Determinations Committee in accordance with the definition of "**Resolve**" below.

"**DC Rules**" means the Credit Derivatives Determinations Committee Rules, as published by ISDA on its website www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms hereof.

"**DC Secretary**" means ISDA or such other entity designated as DC Secretary in accordance with the DC Rules.

"**Default Requirement**" means the amount specified as such in the relevant Final Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD 10,000,000 or its equivalent in the relevant Obligation Currency) in either case, as of the occurrence of the Relevant Credit Event.

"**Deliverable Obligation Terms**" has the meaning set out in the relevant Credit Derivatives Auction Settlement Terms.

"**Domestic Currency**" means the currency specified as such in the relevant Final Terms and any successor currency thereto (or if no such currency is specified, the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign).

"**Domestic Law**" means each of the laws of (a) the Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if such Reference Entity is not a Sovereign.

"**Downstream Affiliate**" means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent owned, directly or indirectly, by the Reference Entity.

"**Due and Payable Amount**" means the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on the Valuation Date.

"**Eligible Information**" means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

"**Eligible Transferee**" means

(a) any

(i) bank or other financial institution;

(ii) insurance or reinsurance company;

(iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (i) of this definition); and

(iv) registered or licensed broker or dealer (other than a natural person or proprietorship),

provided, however, in each case that such entity has total assets of at least USD 500,000,000;

(b) an Affiliate of an entity specified in the sub-paragraph (a) of this definition;

(c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:

(i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligation, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least USD 100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD 100,000,000;

(ii) that has total assets of at least USD 500,000,000; or

(iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in sub-paragraph (a), (b), (c)(ii) or (d) of this definition; and

(d)

(i) any Sovereign; or

(ii) any entity or organisation established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

All references in this definition of "Eligible Transferee" to USD include equivalent amounts in other currencies as determined by the Calculation Agent.

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Event Determination Date**" means, with respect to a Credit Event and:

(a) a Series where "Auction Redemption" is specified as the applicable Credit Event Redemption Method and "Event Determination Date Version B" is not specified to be applicable in the relevant Final Terms:

(i) subject to sub-paragraph (ii) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (A) a DC Credit Event Announcement has occurred nor (B) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or

(ii) notwithstanding sub-paragraph (i) of this definition, the Credit Event Resolution Request Date, if a DC Credit Event Announcement has occurred, the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) and either:

(A) (I) the Credit Event is not an M(M)R Restructuring; and (II) the Trade Date occurs on or prior to a DC Announcement Coverage Cut-off Date; or

(B) (I) the Credit Event is an M(M)R Restructuring; and (II) a Credit Event Notice is delivered by a Notifying Party to the other party and is effective on or prior to the Exercise Cut-off Date,

provided that:

(1) no Redemption Date, in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs;

(2) if any Valuation Date in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs, an Event Determination Date shall be deemed to have occurred only with respect to the portion of the Original Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the Reference Entity Notional Amount of the Reference Entity to which the Event Determination Date relates, if any, with respect to which no Valuation Date has occurred; and

(3) no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered by the Issuer to the Agent, (aa) unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the Applicable DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, (bb) unless, and to the extent that, the Exercise Amount specified in such Credit Event Notice was less than the Original Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the Reference Entity Notional Amount of the affected Reference Entity, or (cc) unless a credit derivatives transaction with the same tenor and deliverable obligation provisions as the Valuation Obligation Provisions of the Credit Linked Notes would be an "Auction Covered Transaction" for the purpose of the relevant Credit Derivatives Auction Settlement Terms and the deliverable obligations set out on the Final List are identical to the Permissible Deliverable Obligations for such Series; or

(b) a Series where sub-paragraph (a) of this definition does not apply, the Non-Standard Event Determination Date.

(c) Notwithstanding the foregoing, and unless the Issuer or the Calculation Agent otherwise elects by notice to the Agent, no Event Determination Date will occur with respect to an event, and any Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, or the Scheduled Maturity Date or the Extended Maturity Date, as applicable, a DC No Credit Event Announcement occurs with respect to such event.

"**Excluded Obligation**" means:

(a) any Obligation of a Reference Entity specified as such or of a type specified in the relevant Final Terms;

(b) if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms and the relevant Reference Entity is a Senior Reference Entity, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and

(c) if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms and the relevant Reference Entity is a Subordinated Reference Entity, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

"**Excluded Valuation Obligation**" means:

(a) any Obligation of the Reference Entity specified as such or of a type described in the relevant Final Terms;

(b) any principal only component of a Bond from which some or all of the interest components have been stripped; and

(c) if Asset Package Delivery is applicable, any Obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

"**Exercise Amount**" has the meaning given to that term in Credit Linked Condition 10 (*M(M)R Restructuring Credit Event*).

"**Exercise Cut-off Date**" means either:

(a) with respect to an M(M)R Restructuring and a Series to which sub-paragraph (a) of the definition of "Event Determination Date" applies:

(i) if the DC Secretary publishes a Final List applicable to the Applicable Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is seven Relevant City Business Days following the date on which such Final List is published; or

(ii) otherwise, the date that is 14 calendar days following the relevant No Auction Announcement Date; or

(b) with respect to a Credit Event and a Series to which sub-paragraph (a) of the definition of "Event Determination Date" does not apply, the Non-Standard Exercise Cut-off Date,

or, in each case, such other date as the relevant Credit Derivatives Determinations Committee Resolves.

"**Extended Maturity Date**" means, if Maturity Date Extension applies pursuant to Credit Linked Condition 9 (*Maturity Date Extension*) and no Relevant Event Determination Date occurs on or prior to the Notes Extension Date, the date falling 5 Business Days after the Notes Extension Date or, if Maturity Date Extension applies pursuant to Credit Linked Condition 9 (*Maturity Date Extension*) and a Relevant Event Determination Date occurs on or prior to the Notes Extension Date, the relevant Redemption Date.

"**Extension Date**" means the latest of (a) the Scheduled Maturity Date, (b) the Grace Period Extension Date if (i) "Failure to Pay" and "Grace Period Extension" are specified as being applicable in the relevant Final Terms, and (ii) the Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Scheduled Maturity Date and (c) the Repudiation/Moratorium Evaluation Date (if any) if "Repudiation/Moratorium" is specified as applicable in the relevant Final Terms, as applicable.

"**Failure to Pay**" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

If an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest, principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination.

"**Fallback Redemption Method**" means, with respect to a Series for which "Auction Redemption" is the Credit Event Redemption Method, and if Credit Linked Condition 11(a) (*Fallback Redemption*) applies, Cash Redemption.

"**Final List**" means the final list of deliverable obligations, Package Observable Bonds, Prior Deliverable Obligations (as applicable) and/or Assets which are the subject of the related Auction determined by the Credit Derivatives Determinations Committee in accordance with the DC Rules.

"**Final Price**" means the price of the Valuation Obligation(s) selected by the Calculation Agent in its discretion, acting in a commercially reasonable manner, expressed as a percentage, determined in accordance with the specified Valuation Method, provided that (i) for the purposes of identifying the Valuation Obligations for the purposes of determining the Final Price, if an Asset Package Credit Event has occurred any Valuation Obligation which is a Prior Deliverable Obligation or a Package Observable Bond (as applicable) shall include the resulting Asset Package and the Final Price for such Valuation Obligation shall be the Final Price for the relevant Asset Package determined in accordance with Credit Linked Condition 12(c) (*Determination of Final Price*).

"**Final Price Determination Date**" means the day, if any, on which the Final Price is determined in accordance with Credit Linked Condition 12 (*Cash Redemption Terms*).

"**Fixed Cap**" means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

"**Fixed Recovery Percentage**" means, if "Fixed Recovery Redemption" is specified as the Credit Event Redemption Method in the Final Terms, the percentage specified as such in the relevant Final Terms.

"**Full Quotation**" means, in accordance with the Quotation Method, each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, equal to the Quotation Amount.

"**Fully Transferable Obligation**" means a 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 Valuation Obligation other than Bonds, in each case, as of the Valuation Date. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, Agent, administrative agent, clearing agent or paying agent, for a Valuation Obligation shall not be considered to be a requirement for consent for the purposes of this definition of "Fully Transferable Obligation".

"**Funding Interest Rate**" means a rate per annum specified in the applicable Final Terms which shall be based on the cost to the Issuer if it were to fund or of funding the amount on which such interest is accruing.

"**Further Subordinated Obligation**" means, if the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any Obligation which is Subordinated thereto.

"**Governmental Authority**" means:

(a) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof);

(b) any court, tribunal, administrative or other governmental authority, inter-governmental or supranational body; or

(c) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or some or all of its Obligations; or

(d) any other authority which is analogous to the entities specified in sub-paragraph (a), (b) or (c) of this definition.

"**Governmental Intervention**" means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

(a) any event which would affect creditors' rights so as to cause:

  (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);

  (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);

  (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest, or (B) the payment of principal or premium; or

  (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;

(b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;

(c) a mandatory cancellation, conversion or exchange; or

(d) any event which has an analogous effect to any of the events specified in sub-paragraphs (a)(i) to (iii) of this definition.

For purposes of sub-paragraph (a) of this definition, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.

"**Grace Period**" means:

(a) subject to sub-paragraphs (b) and (c) of this definition, the applicable grace period with respect to payments under and in accordance with the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred;

(b) if "Grace Period Extension" is specified as applicable in the relevant Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the relevant Final Terms or, if no period is specified, 30 calendar days; and

(c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless "Grace Period Extension" is specified as being applicable in the relevant 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 or, if a place or places are not so specified, (a) if the Obligation Currency is the euro, a TARGET Settlement Day, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

"**Grace Period Extension Date**" means, if (a) "Grace Period Extension" is specified as being applicable in the relevant Final Terms and (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date, as the case may be, the date that is five Business Days following the day falling after the number of days in the Grace Period after the date of such Potential Failure to Pay. If "Grace Period Extension" is not specified as being applicable in the relevant Final Terms, Grace Period Extension shall not apply.

"**Guarantee**" means, for the purpose of the Credit Linked Conditions only, a Relevant Guarantee or a guarantee which is the Reference Obligation.

"**Index**" means, in respect of Basket Credit Linked Note or an Index Tranche Credit Linked Note, the Index specified as such in the Final Terms.

"**Index Tranche Credit Linked Notes**" means Notes which are specified as such in the Final Terms, which are linked to a tranche of the losses and recoveries in respect of the component Reference Entities of the Index specified in the Final Terms.

"**Interest Suspension Accrual Date**" means the earlier to occur of the day prior to:

(a) the Scheduled Maturity Date; and

(b) (i) if "Credit Event Accrued Interest" is specified in the Final Terms as not applicable, the Interest Payment Date (or the Issue Date where no Interest Payment Date has occurred) occurring on or immediately preceding the Relevant Event Determination Date; or

(ii) if "Credit Event Accrued Interest" is specified in the Final Terms as applicable, the Relevant Event Determination Date.

"**Interest Suspension Payment Date**" means:

(i) if "Credit Event Suspended Interest" is specified in the Final Terms as not applicable, five Business Days after (i) if a Relevant Credit Event has occurred, the date the Auction Final Price or Final Price

(as applicable) is so determined or (ii) if a Relevant Credit Event has not occurred, the date of the Applicable DC No Credit Event Announcement or Applicable DC Credit Event Question Dismissal, as applicable; or

(ii) if "Credit Event Suspended Interest" is specified in the Final Terms as applicable, on the Interest Payment Date immediately following the date which is five Business Days after (i) if a Relevant Credit Event has occurred, the date the Auction Final Price or Final Price (as applicable) is so determined or (ii) if a Relevant Credit Event has not occurred, the date of the Applicable DC No Credit Event Announcement or Applicable DC Credit Event Question Dismissal, as applicable.

"**ISDA**" means the International Swaps and Derivatives Association Inc., (or any successor organisation thereto).

"**Issuer Business Day**" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in London.

"**Latest Maturity Restructured Bond or Loan**" has the meaning given to that term in the definition of "Restructuring Maturity Limitation Date".

"**Limitation Date**" means the first of March 20, June 20, September 20 or December 20 in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the "**2.5-year Limitation Date**"), 5 years, 7.5 years, 10 years (the "1**0-year Limitation Date**"), 12.5 years, 15 years or 20 years, as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention.

"**Market Value**" means, with respect to the relevant 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); (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (d) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject to sub-paragraph (b) of the definition of "Quotation", an amount that the Calculation Agent shall determine on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained within the ten Business Day period set forth in sub-paragraph (b) of the definition of "Quotation" the Market Value shall be determined as provided in such definition.

"**Maturity Date Extension**" means an extension determined in accordance with Credit Linked Condition 9 (*Maturity Date Extension*).

"**Merger Event**" means that at any time during the period from (and including) the Trade Date to (but excluding) the Extended Maturity Date the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, a Reference Entity or the Issuer, as applicable, or the Issuer and a Reference Entity become Affiliates.

"**M(M)R Restructuring**" means a Restructuring Credit Event in respect of which either "Mod R" or "Mod Mod R" is specified as applicable in the relevant Final Terms.

"**Modified Eligible Transferee**" means any Issuer, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, notes and other financial assets.

"**Modified Restructuring Maturity Limitation Date**" means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date.

Subject to the foregoing, if the Scheduled Maturity Date is later than the 10-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

"**Movement Option**" means, with respect to an M(M)R Restructuring to which a No Auction Announcement Date has occurred pursuant to sub-paragraph (b) or (c)(ii) of the definition of "No Auction Announcement Date", the option of the Issuer to determine the Parallel Auction Settlement Terms, if any, that shall be deemed to be applicable for the purposes of the Notes and if Auction Redemption is the Credit Event Redemption Method in respect of a Reference Entity and a Credit Event (for which purpose the Issuer may take into account (a) the terms of the relevant Parallel Auction Settlement Terms, the Permissible Deliverable Obligations thereunder, the Valuation Obligations under the Notes and (b) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

"**Movement Option Cut-off Date**" the date that is one Relevant City Business Day following the Exercise Cut-off Date, or such other date as the relevant Credit Derivatives Determinations Committee has Resolved.

"**Multiple Holder Obligation**" has the meaning given to it in Credit Linked Condition 17 (*Multiple Holder Obligation*).

"**No Auction Announcement Date**" means, with respect to a Credit Event, the date as determined by the Calculation Agent on which the DC Secretary first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of an M(M)R Restructuring, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published, or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by the DC Secretary to the contrary, in circumstances where either (i) no Parallel Auction will be held, or (ii) one or more Parallel Auctions will be held. For the avoidance of doubt, a No Auction Announcement Date will not occur solely by reason of the Credit Linked Notes not being covered by any Credit Derivatives Auction Settlement Terms.

"**Non-Conforming Reference Obligation**" means a Reference Obligation which is not a Conforming Reference Obligation.

"**Non-Conforming Substitute Reference Obligation**" means an Obligation which would be a Valuation Obligation determined in accordance with sub-paragraph (a) of the definition of "Valuation Obligation" on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

"**Non-Financial Instrument**" means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

"**Non-Standard Event Determination Date**" means, with respect to a Credit Event and a Series to which "Non-Standard Event Determination Date" applies:

(a) subject to sub-paragraph (b) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (i) a DC Credit Event Announcement has occurred nor (ii) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or

(b) notwithstanding sub-paragraph (a) of this definition, if a DC Credit Event Announcement has occurred and the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) either:

(i) the Credit Event Resolution Request Date, if either:

(A) "Event Determination Date Version B" is not specified as applicable and "Auction Settlement" is not specified as the applicable Credit Event Redemption Method in the relevant Final Terms; (II) the relevant Credit Event is not an M(M)R Restructuring; and (III) the Trade Date occurs on or prior to the date of the DC Credit Event Announcement; or

(B) either:

(I)

(1) "Event Determination Date Version B" is specified as applicable and "Auction Settlement" is specified as the applicable Credit Event Redemption Method in the relevant Final Terms; or

(2) "Event Determination Date Version B" is not specified as applicable in the relevant Final Terms and the relevant Credit Event is an M(M)R Restructuring; and

(II) a Credit Event Notice is delivered by the Issuer to the Agent and is effective on or prior to the Non-Standard Exercise Cut-off Date, or

(ii) the first date on which a Credit Event Notice is delivered by the Issuer to the Agent and is effective during either the Notice Delivery Period or the period from, and including, the date of the DC Credit Event Announcement to, and including, the date that is 14 calendar days thereafter (provided, in each case, that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:

(A)

(I) "Event Determination Date Version B" is not specified as applicable and "Auction Settlement" is not specified as the Credit Event Redemption Method in the relevant Final Terms;

(II) the relevant Credit Event is not an M(M)R Restructuring; and

(III) the Trade Date occurs and following the date of the related DC Credit Event Announcement on or prior to a DC Announcement Coverage Cut-off Date; or

(B)

(I) "Event Determination Date Version B" is specified as applicable and the Trade Date occurs and

(II) either:

(1) "Auction Settlement" is not specified as the Credit Event Redemption Method in the relevant Final Terms; or

(2) "Auction Settlement" is specified as the Credit Event Redemption Method in the relevant Final Terms and a Credit Event Notice is delivered by the Issuer to the Agent and is effective on a date that is later than the relevant Non-Standard Exercise Cut-off Date.

provided that:

(1) no Redemption Date in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs;

(2) if any Valuation Date in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs, a Non-Standard Event Determination Date shall be deemed to have occurred only, if the Notes are Single Name Credit Linked Notes, with respect to the portion of the Original Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the Reference Entity Notional Amount of the Reference Entity to which the Event Determination Date relates, if any, with respect to which no Valuation Date has occurred; and

(3) no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered by the Issuer to the Agent, (aa) unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the Applicable DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, (bb) unless, and to the extent that, if the Notes are Single Name Credit Linked Notes, the Exercise Amount specified in any such Credit Event Notice was less than the Original Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the Reference Entity Notional Amount of the affected Reference Entity or (cc) unless a credit derivatives transaction with the same tenor and deliverable obligation provisions as the Credit Linked Notes would be an "Auction Covered Transaction" for the purpose of the relevant Credit Derivatives Auction Settlement Terms and the deliverable obligations set out on the Final List are identical to the Permissible Deliverable Obligations for such Series.

"**Non-Standard Exercise Cut-off Date**" means, with respect to a Credit Event and a Series to which sub-paragraph (a) of the definition of "Event Determination Date" does not apply:

(a) if such Credit Event is not an M(M)R Restructuring, either:

(i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;

(ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or

(iii) the date that is 14 calendar days following the No Auction Announcement Date, if any, as applicable; or

(b) if such Credit Event is an M(M)R Restructuring and:

(i) the DC Secretary publishes a Final List applicable to the Applicable Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is seven Relevant City Business Days following the date on which such Final List is published; or

(ii) otherwise, the date that is 14 calendar days following the relevant No Auction Announcement Date.

"**Non-Standard Reference Obligation**" means each Original Non-Standard Reference Obligation or if a Substitute Reference Obligation has been determined in respect of any such Original Non-Standard Reference Obligation, the Substitute Reference Obligation.

"**Non-Transferable Instrument**" means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

"**Notes Extension Date**" means the later to occur of (a) the last applicable day specified in the definition of "Notice Delivery Period" in respect of each Reference Entity with respect to which Maturity Date Extension applies pursuant to Credit Linked Condition 9 (*Maturity Date Extension*) and (b) 14 calendar days after the DC Credit Event Announcement or (c) the last day of the Post Dismissal Additional Period.

"**Notice Delivery Date**" means the first date on which both an effective Credit Event Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in relevant Final Terms, an effective Notice of Publicly Available Information, has been delivered by the Issuer to the Agent.

"**Notice Delivery Period**" means the period from and including the Trade Date to and including the date that is 14 calendar days after the Extension Date.

"**Notice of Publicly Available Information**" means an irrevocable notice from the Issuer or the Calculation Agent to the Agent that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If "Notice of Publicly Available Information" is specified as being applicable in the relevant Final Terms and the Credit Event Notice or

Repudiation/Moratorium Extension Notice contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information.

"**Notice of Suspended Interest**" means a notice required to be delivered in accordance with Credit Linked Condition 2(f) (*Notice of Suspended Interest*).

"**Notice to Exercise Movement Option**" with respect to a Series where (a) an M(M)R Restructuring is applicable and (b) the Fallback Redemption Method would otherwise be applicable pursuant to Credit Linked Condition 11(a)(ii) (*Fallback Redemption*), a notice from the Issuer to the Agent that (i) specifies the Parallel Auction Settlement Terms which shall be applicable in accordance with the Issuer's exercise of the Movement Option and (ii) is dated on or prior to the Movement Option Cut-off Date.

"**Obligation**" means (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below; and (b) the Reference Obligation, in each case, unless it is an Excluded Obligation.

(A) *Method for Determining Obligations*:

For the purposes of sub-paragraph (a) of the definition of "Obligation" above, an Obligation is each obligation of the Reference Entity described by the Obligation Category specified in the relevant Final Terms and having each of the Obligation Characteristics, if any, specified in the relevant Final Terms, in each case, immediately prior, the Credit Event which is the subject of either the Credit Event Notice or the Applicable DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

(I) "**Obligation Category**" means Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the relevant Final Terms, and:

(II) "**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt notes or other debt notes and shall not include any other type of Borrowed Money;

(III) "**Bond or Loan**" means any obligation that is either a Bond or a Loan;

(IV) "**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);

(V) "**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;

(VI) "**Payment**" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money; and

(VII) "**Reference Obligation Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligation Only.

(c) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:

(i)

(A) "**Not Subordinated**" means an obligation that is not Subordinated to (I) the Reference Obligation or (II) the "Prior Reference Obligation" if applicable;

(B) "**Subordination**" means, with respect to an obligation (the "**Second Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**First Obligation**"), a contractual, trust or similar arrangement providing that (I) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity,

claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the First Obligation. "Subordinated" will be construed accordingly. For the purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (1) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign and (2) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and "Standard Reference Obligation" is applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date; and

(C) "**Prior Reference Obligation**" means, in circumstances where there is no Reference Obligation applicable to a Series, (I) the Reference Obligation most recently applicable thereto, if any, and otherwise, (II) the obligation specified in the relevant Final Terms as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise, (III) any unsubordinated Borrowed Money obligation of the Reference Entity;

(ii) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such in the relevant Final Terms (or, if "Specified Currency" is specified in the relevant Final Terms and no currency is so specified, any Standard Specified Currency), provided that if the euro is a Specified Currency, "Specified Currency" shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority;

(iii) "**Not Sovereign Lender**" means any obligation that is not primarily owed to (A) a Sovereign or (B) any entity or organisation established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt";

(iv) "**Not Domestic Currency**" means any obligation that is payable in any currency other than the applicable Domestic Currency, provided that a Standard Specified Currency shall not constitute a Domestic Currency;

(v) "**Not Domestic Law**" means any obligation that is not governed by the applicable Domestic Law, provided that the laws of England and the laws of the State of New York shall not constitute Domestic Law;

(vi) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and

(vii) "**Not Domestic Issuance**" means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be

issued (or reissued as the case may be) or intended to be offered for sale primarily in the domestic market of the Reference Entity.

"**Obligation Acceleration**" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

"**Original Aggregate Nominal Amount**" means, on the Issue Date, the aggregate nominal amount of the Notes of such Series specified in the relevant Final Terms.

"**Outstanding Aggregate Nominal Amount**" means, in respect of a Series of Single Name Credit Linked Notes, Basket Credit Linked Notes or Index Tranche Credit Linked Notes, as applicable, on any date, the Original Aggregate Nominal Amount less the aggregate of any Applicable Proportions of the Single Name Credit Linked Notes, Basket Credit Linked Notes or Index Tranche Credit Linked Notes, as applicable, that have been previously redeemed (subject to a minimum of zero) in each case taking into account any amortisation, partial redemptions (including pursuant to the Credit Linked Conditions) or further issues of the Notes of such Series on or prior to such date.

"**Obligation Currency**" means the currency or currencies in which an Obligation is denominated.

"**Obligation Default**" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

"**Original Non-Standard Reference Obligation**" means each obligation of the Reference Entity (either directly or as provider of a Guarantee) which is specified as a Reference Obligation in the relevant Final Terms (if any is so specified).

The "**Outstanding Principal Balance**" of an obligation will be calculated as follows:

(a) first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with the definition of "Accrued Interest", the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);

(b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (A) payment or (B) a Permitted Contingency) (the amount determined in sub-paragraph (a) of the definition of "Outstanding Principal Balance" less any amounts subtracted in accordance with this sub-paragraph (b), the "Non-Contingent Amount"); and

(c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance, in each case, determined: (i) unless otherwise specified, in accordance with the terms of the obligation in effect on the Valuation Date; and (ii) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

in each case, determined:

(A) unless otherwise specified, in accordance with the terms of the obligation in effect on the Valuation Date; and

(B) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

For the purpose of this definition of "Outstanding Principal Balance", "Quantum of the Claim" means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

"**Package Observable Bond**" means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at www.isda.org from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within the definition of Valuation Obligation set out in sub-paragraph (a) or (b) of the definition of "Valuation Obligation", in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective.

"**Parallel Auction**" means the "**Auction**" which is the subject of the relevant Parallel Auction Settlement Terms.

"**Parallel Auction Cancellation Date**" means the "Auction Cancellation Date" in respect of the relevant Parallel Auction Settlement Terms.

"**Parallel Auction Settlement Terms**" means, following the occurrence of an "M(M)R Restructuring", any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such an M(M)R Restructuring if the Calculation Agent determines in its discretion, acting in a commercially reasonable manner, that the relevant Deliverable Obligation Terms are substantially the same as the Valuation Obligation Provisions applicable to the relevant Credit Linked Notes and for which a credit derivatives transaction with the same tenor as Series of the Credit Linked Notes would not be an "Auction Covered Transaction" for the purpose of the relevant Credit Derivatives Auction Settlement Terms.

"**Partial Nominal Amount**" has the meaning given to that term in Credit Linked Condition 16 (*Successor Provisions*).

"**Payment Requirement**" means the amount specified as such in the relevant Final Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD 1,000,000 or its equivalent in the relevant Obligation Currency) in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as appropriate.

"**Permissible Deliverable Obligation**" has the meaning set out in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the deliverable obligations included on the Final List pursuant to the Deliverable Obligation Terms that are applicable to that Auction.

"**Permitted Contingency**" means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:

(a) as a result of the application of:

  (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;

  (ii) provisions implementing the Subordination of the obligation;

  (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);

  (iv) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the relevant Final Terms; or

  (v) provisions which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms; or

(b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation

"**Permitted Transfer**" means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new Guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.

"**Physical Settlement Matrix**" means the "Credit Derivatives Physical Settlement Matrix" as most recently amended or supplemented as at the Issue Date (unless otherwise specified in the relevant Final Terms) and as published by ISDA on its website at www.isda.org (or any successor website). The Physical Settlement Matrix may be applicable to any Series of Notes where "Physical Settlement Matrix Standard Terms" are specified as applicable in the relevant Final Terms and one or more Transaction Type(s) are specified as applying to the Reference Entity(ies) of such Series of Notes.

"**Post Dismissal Additional Period**" means the period from and including the date of the Applicable DC Credit Event Question Dismissal to and including the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)).

"**Potential Failure to Pay**" means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such obligations at the time of such failure, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations.

"**Potential Repudiation/Moratorium**" means the occurrence of an event described in sub-paragraph (a) of the definition of "Repudiation/Moratorium".

"**Prior Deliverable Obligation**" means:

(a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the Applicable DC Credit Event Announcement), any Obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within the definition of Valuation Obligation set out in sub-paragraph (a) or (b) of the definition of "Valuation Obligation", in each case, immediately preceding the date on which such Governmental Intervention was legally effective; or

(b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation of the relevant Reference Entity (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the Applicable DC Credit Event Announcement), such Reference Obligation, if any.

"**Private-side Loan**" means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

"**Prohibited Action**" means any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in sub-paragraphs (a) to (d) in the definition of "Credit Event" or right of set-off by or of the Reference Entity or any applicable Underlying Obligor.

"**Public Source**" means each source of Publicly Available Information specified as such in the relevant Final Terms (or, if no such source is specified, each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, AsahiShimbun, YomiuriShimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review and Debtwire (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

"**Publicly Available Information**" means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice have occurred and which (a) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; (b) is information received from or published by (i) the Reference Entity (or if the Reference Entity is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the

central bank) of such Sovereign) or (ii) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, or (c) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body; provided that where any information of the type described in sub-paragraphs (a) to (c) of this definition above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

In relation to any information of the type described in sub-paragraphs (b) and (c) above in the first paragraph of this definition of "Publicly Available Information", the party receiving such information may assume that such information has been disclosed to it without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

Without limitation, Publicly Available Information need not state (a) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned by the Reference Entity and (b) that the relevant occurrence (i) has met the Payment Requirement or Default Requirement, (ii) is the result of exceeding any applicable Grace Period or (iii) has met the subjective criteria specified in certain Credit Events.

In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in sub-paragraphs (a) and (b) of the definition of "Repudiation/Moratorium".

"**Qualifying Affiliate Guarantee**" means a Qualifying Guarantee provided by the Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Reference Entity.

"**Qualifying Guarantee**" means a Guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an "**Underlying Obligation**" for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

(i) which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or

(ii) pursuant to the terms applicable thereto) the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance other than: (i) by payment; (ii) by way of Permitted Transfer; (iii) by operation of law; (iv) due to the existence of a Fixed Cap; or (v) due to: (A) provisions permitting or anticipating a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms; or (B) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the relevant Final Terms.

If the Guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such Guarantee or Underlying Obligation, due to or following the occurrence of (A) a non-payment in respect of the Guarantee or the Underlying Obligation, or (B) an event of the type described in the definition of "Bankruptcy" in respect of the Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the Guarantee or Underlying Obligation.

In order for a Guarantee to constitute a Qualifying Guarantee: (I) The benefit of a Qualifying Guarantee such Guarantee must be capable of being delivered together with the delivery of the Underlying Obligation; and (II) if a Guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being delivered together with the delivery of such Guarantee.

"**Quotation**" means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage of the Valuation Obligation's Outstanding Principal Balance or Due and Payable Amount (or if a Quotation is being obtained in respect of the Asset Package resulting from any Prior Deliverable Obligation or Package Observable Bond, the Outstanding Principal Balance of the relevant Prior Deliverable Obligation or Package Observable Bond immediately prior to the Asset Package Credit Event), as applicable, with respect to a Valuation Date in the manner that follows:

(a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation.

(b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

"**Quotation Amount**" means an amount determined by the Calculation Agent not in excess of the Outstanding Aggregate Nominal Amount of the Credit Linked Notes or its equivalent in the relevant Obligation Currency, which shall be converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained). Where an Asset Package Credit Event has occurred and a Valuation Obligation has been converted into an Asset Package, the Quotation Amount for all or any part of the Asset Package shall be such amount as the Calculation Agent determines appropriate in its sole and absolute discretion.

"**Quotation Dealer**" means, as selected by the Calculation Agent in its discretion, acting in a commercially reasonable manner, a dealer in obligations of the type for which Quotations are to be obtained, including each Quotation Dealer specified in the relevant Final Terms. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may, in its discretion, acting in a commercially reasonable manner, substitute any other Quotation Dealer(s) for one or more of the foregoing.

"**Quotation Method**" means the applicable Quotation Method specified in the relevant Final Terms by reference to one of the following terms (or, if no Quotation Method is specified, Bid shall apply),

where:

(a) "Bid" means that only bid quotations shall be requested from Quotation Dealers;

(b) "Offer" means that only offer quotations shall be requested from Quotation Dealers; or

(c) "Mid-market" means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation,

provided that in respect of any Asset Package which is the subject of a Quotation, the Quotation Method shall be any of the above Quotation Methods selected by the Calculation Agent in its sole and absolute discretion, or any other method of quotation provided in the market for the relevant Asset as determined by the Calculation Agent, notwithstanding the Quotation Method specified in the relevant Final Terms.

"**Redemption Amount**" means the Auction Redemption Amount, Cash Redemption Amount, Basket Auction Redemption Amount, Basket Cash Redemption Amount, Index Tranche Redemption Amount, Basket Final Auction Redemption Amount, Basket Final Cash Redemption Amount or Index Tranche Final Redemption Amount, as applicable.

"**Redemption Date**" means the Auction Redemption Date, Cash Redemption Date, Basket Auction Redemption Date, Basket Cash Redemption Date, Index Tranche Auction Redemption Date, Index Tranche

Cash Redemption Date, Final Auction Redemption Date, Final Cash Redemption Date, Basket Final Auction Redemption Date, Basket Final Cash Redemption Date, Index Tranche Final Auction Redemption Date or Index Tranche Final Cash Redemption Date, as applicable.

"**Redemption Failure Event**" means, in each case as determined by the Issuer in its discretion, acting in a commercially reasonable manner, that (a) it is impossible, impracticable or illegal for the Issuer to pay (due to an event beyond the control of the Issuer), or for a Noteholder to accept payment of (due to an event beyond the control of such Noteholder), any cash amount (including, without limitation, any portion of the Redemption Amount in respect of the Credit Linked Notes) required to be paid on the date scheduled for such payment, (b) the failure of a Noteholder to surrender a Credit Linked Note for cancellation on or before the Scheduled Maturity Date or the relevant Redemption Date, as the case may be.

"**Redemption Suspension Notice**" has the meaning given to that term in Credit Linked Condition 15 (*Effect of DC Announcements*).

"**Reference Entity**" means the entity specified as such in the relevant Final Terms. Any Successor to the Reference Entity either (a) identified by the Calculation Agent pursuant to the definition of "Successor" on or following the Trade Date or (b) identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date shall, in each case, with effect from the Succession Date, be the Reference Entity.

"**Reference Entity Notional Amount**" means, in respect of each Reference Entity, either (i) the product of the Original Aggregate Nominal Amount and the Weighting for such Reference Entity or (ii) the amount specified in the relevant Final Terms, subject to amendment as provided herein.

"**Reference Obligation**" means:

(a) if "Standard Reference Obligation" is specified as applicable in the relevant Final Terms, the Standard Reference Obligation;

(b) if "Standard Reference Obligation" is specified as not applicable in the relevant Final Terms, in which case the Reference Obligation(s) will be the Non-Standard Reference Obligation(s), if any; or

(c) if (i) "Standard Reference Obligation" is specified as applicable in the relevant Final Terms, (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the relevant Final Terms, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

"**Reference Obligation Only Series**" means a Series of Credit Linked Notes in respect of which (a) "Reference Obligation Only" is specified as the Obligation Category and the Valuation Obligation Category in the relevant Issue Terms in respect of such Reference Entity and (b) "Standard Reference Obligation" is specified as not applicable in the relevant Issue Terms in respect of such Reference Entity.

"**Relevant City Business Day**" has the meaning given to that term in the DC Rules.

"**Relevant Credit Event**" means:

(a) in the case of Single Name Credit Linked, any Credit Event to occur with respect to the Reference Entity;

(b) in the case of Basket Credit Linked Notes, any Credit Event to occur with respect to any Reference Entity in the basket or the Index, as applicable; and

(c) in the case of Index Tranche Credit Linked Notes, any Credit Event to occur with respect to any Reference Entity in the Index once the Aggregate Loss Amount has reached the Loss Threshold Amount (as such terms are defined in Credit Linked Condition 5 (*Index Tranche Credit Linked Notes*)).

"**Relevant Event Determination Date**" means the Event Determination Date occurring with respect to a Relevant Credit Event.

"**Relevant Guarantee**" means a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the relevant Final Terms, a Qualifying Guarantee.

"**Relevant Holder**" means a holder of the Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Aggregate Nominal Amount of the relevant Series of Credit Linked Notes immediately prior to the relevant Asset Package Credit Event.

"**Relevant Obligations**" means the Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), provided that:

(a) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;

(b) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under the definition of "Successor", make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;

(c) if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms and the Reference Entity is a Senior Reference Entity, the Relevant Obligations shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan"; and

(d) if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms, and the relevant Reference Entity is a Subordinated Reference Entity, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan", provided that if no such Relevant Obligations exist, "Relevant Obligations" shall have the same meaning as it would if the relevant Reference Entity were a Senior Reference Entity.

"**Repudiation/Moratorium**" means the occurrence of both of the following events: (a) an authorised officer of the Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation that occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"**Repudiation/Moratorium Evaluation Date**" means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date, (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (i) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (ii) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (b) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium; provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

The "**Repudiation/Moratorium Extension Condition**" is satisfied (a) if the DC Secretary publicly announces, pursuant to a valid request that was delivered and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date and such resolution constitutes an Applicable Resolution or (b) otherwise, by the delivery by the Issuer to the Agent of a Repudiation/Moratorium Extension Notice and, unless "Notice of Publicly Available Information" is specified not applicable in the relevant Final Terms, a Notice of Publicly Available Information that is effective on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date. In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have

been satisfied, or not capable of being satisfied, if, or to the extent that, the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that either (i) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the Reference Entity or (ii) an event that constitutes a Potential Repudiation/Moratorium for the purposes of the relevant Credit Linked Notes has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Maturity Date.

"**Repudiation/Moratorium Extension Notice**" means an irrevocable notice from the Issuer to the Agent that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

"**Resolve**" means, with respect to a Credit Derivatives Determinations Committee, the making of a specific determination in accordance with the DC Rules, and "Resolved" and "Resolves" shall be construed accordingly.

"**Restructured Bond or Loan**" means an Obligation that is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

"**Restructuring**" means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of exchange) and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date applicable to the relevant Credit Linked Notes and the date as of which such Obligation is issued or incurred:

(a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);

(b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);

(c) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;

(d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or

(e) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

Notwithstanding the above in this definition of "Restructuring", none of the following shall constitute a Restructuring:

(i) the payment in euros of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

(ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;

(iii) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a) to (e) of this definition of "Restructuring" due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

(iv) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a) to (e) of this definition of "Restructuring" in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity, provided that in respect of sub-paragraph (e) of this definition of "Restructuring" only, no such deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

For the purposes of this definition of "Restructuring", the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in this definition shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in this definition of "Restructuring" shall continue to refer to the Reference Entity.

If an exchange has occurred, the determination as to whether one of the events described under sub-paragraphs (a) to (e) of this definition has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

"**Restructuring Date**" means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"**Restructuring Maturity Limitation Date**" means, with respect to a Valuation Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a "**Latest Maturity Restructured Bond or Loan**") and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest 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.

"**Scheduled Maturity Date**" means, in respect of an issue of Notes, the date specified as such in the relevant Final Terms.

"**Senior Obligation**" means any Obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity.

"**Senior Reference Entity**" means a Reference Entity for which (a) the Reference Obligation(s) or Prior Reference Obligation(s), as applicable, is/are a Senior Obligation provided that if there is more than one Reference Obligation for a Reference Entity, and not all of the Reference Obligations are Senior Obligations, then "**Senior Reference Entity**" means a Reference Entity in respect of which "Senior **Level**" is specified as the Seniority Level in the relevant Final Terms, or (b) there is no Reference Obligation or Prior Reference Obligation.

"**Seniority Level**" means, with respect to a Reference Entity, (a) "Senior Level" or "Subordinated Level" as specified in the relevant Final Terms, or (b) if no such seniority level is specified in the relevant Final Terms, "Senior Level" if the only Original Non-Standard Reference Obligation is a Senior Obligation or "Subordinated Level" if the only Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which (c) "Senior Level".

"**Settlement Currency**" means the currency specified in the relevant Final Terms, or if no currency is specified in the relevant Final Terms, the Specified Currency of the Credit Linked Notes.

"**Single Name Credit Linked Notes**" means Notes which are specified as such in the Final Terms, in respect of which the Issuer purchases credit protection from Noteholders in respect of one Reference Entity alone.

"**Solvency Capital Provisions**" means any terms in an obligation which permit the Reference Entity's payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

"**Sovereign**" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including, without limiting the foregoing, the central bank) thereof.

"**Sovereign Restructured Deliverable Obligation**" means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or Applicable DC Credit Event Announcement has occurred and (b) which fell within the definition of a Valuation Obligation immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"**Sovereign Succession Event**" means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other similar event.

"**Specified Number**" means the number of Public Sources specified in the relevant Final Terms (or, if no such number is specified, two).

"**SRO List**" means the list of Standard Reference Obligations as published by ISDA on its website at www.isda.org from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.

"**Standard Reference Obligation**" means the Obligation of the Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List.

"**Standard Specified Currency**" means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

"**Steps Plan**" means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.

"**Subordinated Obligation**" means any Obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of the Reference Entity existed.

"**Subordinated Reference Entity**" means a Reference Entity for which the Reference Obligation(s) or Prior Reference Obligation(s), as applicable, is/are a Subordinated Obligation provided that, if there is more than one Reference Obligation and not all of the Reference Obligations are Subordinated Reference Obligations, then "Subordinated Reference Entity" means a Reference Entity specified as such in the relevant Final Terms.

"**Substitute Reference Obligation**" means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the Obligation that may replace the Non-Standard Reference Obligation, determined by the Calculation Agent in accordance with Credit Linked Condition 18 (*Reference Obligation*).

Notwithstanding the definition of "Substitute Reference Obligation" (a) no Substitute Reference Obligation shall be determined in respect of a Reference Obligation Only Series and (b) if the events set out in sub-paragraph (b) or (c) of the definition of "Substitution Event" occur with respect to the Reference Obligation in a Reference Obligation Only Series, such Reference Obligation shall continue to be the Reference Obligation.

"**Substitution Date**" means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent notifies the Agent of the Substitute Reference Obligation that it has identified in accordance with the definition of "Substitute Reference Obligation".

"**Substitution Event**" means, with respect to a Non-Standard Reference Obligation:

(a) the Non-Standard Reference Obligation is redeemed in whole;

(b) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below USD 10,000,000 or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or

(c) for any other reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an Obligation of the Reference Entity, (either directly or as provider of a Guarantee).

For the purposes of the identification of a Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event.

If an event described in sub-paragraph (a) or (b) of this definition has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to sub-paragraph (a) or (b) of this definition, as the case may be, on the Trade Date.

"**Substitution Event Date**" means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

"**Successor**" means:

(a) subject to Credit Linked Condition 16(e) (*Eligible Successors*), the entity or entities, if any, determined by the Calculation Agent or the Credit Derivatives Determinations Committee (as applicable) as follows:

(i) subject to sub-paragraph (vii) of this definition, if one entity succeeds, either directly or as a provider of a Relevant Guarantee to seventy five per cent. or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor in respect of (i) if the Notes are Single Name Credit Linked Notes, the entire Outstanding Aggregate Nominal Amount of the Notes as at the Succession Date or (ii) if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the entire Reference Entity Notional Amount of that original Reference Entity outstanding as at the Succession Date;

(ii) if only one entity succeeds, either directly or as a provider of a Relevant Guarantee to more than twenty five per cent. (but less than seventy five per cent.) of the Relevant Obligations of the Reference Entity and not more than twenty five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty five per cent. of the Relevant Obligations will be the sole Successor in respect of (i) if the Notes are Single Name Credit Linked Notes, the entire Outstanding Aggregate Nominal Amount of the Notes as at the Succession Date or (ii) if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, the entire Reference Entity Notional Amount of that original Reference Entity outstanding as at the Succession Date;

(iii) if more than one entity each succeeds, either directly or as provider of a Relevant Guarantee to more than twenty five per cent. of the Relevant Obligations of the Reference Entity, and not more than twenty five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty five per cent. of the Relevant Obligations will each be a Successor, if the Notes are Single Name Credit Linked Notes, in respect of a portion of the Outstanding Aggregate Nominal Amount of the Notes as at the Succession Date or, if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, in respect of a portion of the Reference Entity Notional Amount of the original Reference Entity outstanding as at the Succession Date (subject to Credit Linked Condition 16 (*Successor Provisions*));

(iv) if one or more entities each succeeds, either directly or as provider of a Relevant Guarantee to more than twenty five per cent. of the Relevant Obligations of the Reference Entity, and more than twenty five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will, if the Notes are Single Name Credit Linked Notes, each be a in respect of a portion of the Outstanding Aggregate Nominal Amount of the Notes as at the Succession Date or, if the Notes are Basket Credit Linked Notes or Index Tranche Credit Linked Notes, in respect of a portion of the Reference Entity Notional Amount of the original Reference Entity outstanding as at the Succession Date subject to and in accordance with Credit Linked Condition 16 (*Successor Provisions*);

(v) if one or more entities succeeds, either directly or as provider of a Relevant Guarantee to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than

twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity and the Credit Linked Notes will not be changed in any way as a result of such succession; and

(vi) if one or more entities succeeds either directly or as provider of a Relevant Guarantee to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if two or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor) subject to and in accordance with the provisions of Credit Linked Condition 16 (*Successor Provisions*).

(vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the Obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (i) the Reference Entity has ceased to exist, or (ii) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the "**Universal Successor**") will be the sole Successor in respect of the relevant Series.

For the purposes of this definition, "succeed" means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (A) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (B) issues Bonds or incurs loans (the "**Exchange Bonds or Loans**") that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to the Relevant Obligations or such Exchange Bonds or Loans, as applicable. For the purposes of this definition, "succeeded" and "succession" shall be construed accordingly.

"**Successor Backstop Date**" means for purposes of any Successor determination determined by DC Resolution, the date that is 90 calendar days prior to the Successor Resolution Request Date otherwise, the date that is 90 calendar days prior to the earlier of (a) the date on which the Successor Notice is effective and (b) in circumstances where (i) a Successor Resolution Request Date has occurred, (ii) the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination and (iii) the Successor Notice is delivered by the Issuer to the Agent not more than 14 calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination, the Successor Resolution Request Date. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"**Succession Date**" means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; provided that if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (a) the date on which a determination pursuant to sub-paragraph (a) of the definition of "Successor" would not be affected by any further related successions in respect of such Steps Plan, or (b) the occurrence of an Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.

"**Successor Notice**" means an irrevocable notice from the Issuer to the Agent that describes a succession (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to the Reference Entity can be determined. A Successor Notice must contain a description in reasonable detail of the facts relevant to the determination to be made pursuant to sub-paragraph (a) of the definition of "Successor"

"**Successor Resolution Request Date**" means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

"**TARGET Settlement Day**" means any day on which TARGET2 (the Trans-European Automarket Real-time Gross Settlement Express Transfer System) is open.

"**Term**" means the period commencing on and including the Trade Date and ending on and including the Scheduled Maturity Date (or, if applicable, Extended Maturity Date) of the Credit Linked Notes.

"**Trade Date**" means the date specified as such in the relevant Final Terms.

"**Transaction Auction Settlement Terms**" means the relevant Credit Derivatives Auction Settlement Terms, whether or not the Credit Linked Notes are covered by such Credit Derivatives Auction Settlement Terms; provided that the Calculation Agent determines in its discretion, acting in a commercially reasonable manner, that (a) the relevant Deliverable Obligations Terms are substantially the same as the Valuation Obligation Provisions with respect to the Credit Linked Notes, and (b) if such Credit Event is a Restructuring for which either "Restructuring Maturity Limitation and Fully Transferable Obligation" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation" is applicable or deemed to be applicable, a credit derivatives transaction with the same tenor as the Credit Linked Notes would be an "Auction Covered Transaction" for the purposes of the relevant Credit Derivatives Auction Settlement Terms.

"**Transaction Type**" means, for the purposes of the application of the Physical Settlement Matrix to a Series where "Physical Settlement Matrix Standard Terms" is specified as applicable in the relevant Final Terms, each Reference Entity designated as one of the following in the relevant Final Terms:

(a) North American Corporate;

(b) European Corporate;

(c) European Financial Corporate;

(d) Australia Corporate;

(e) Australia Financial Corporate;

(f) New Zealand Corporate;

(g) New Zealand Financial Corporate;

(h) Japan Corporate;

(i) Japan Financial Corporate;

(j) Singapore Corporate;

(k) Singapore Financial Corporate;

(l) Asia Corporate;

(m) Asia Financial Corporate;

(n) Asia Sovereign;

(o) Emerging European & Middle Eastern Sovereign;

(p) Japan Sovereign;

(q) Australia Sovereign;

(r) New Zealand Sovereign;

(s) Singapore Sovereign;

(t) Latin America Sovereign;

(u) Western European Sovereign,

and any other Transaction Type which may be added to the Physical Settlement Matrix from time to time.

"**Underlying Obligation**" means, with respect to a Guarantee, the Obligation which is the subject of the Guarantee.

"**Underlying Obligor**" means, with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

"**Universal Successor**" has the meaning given in the definition of Successor.

"**Unwind Costs**" means an amount determined by the Calculation Agent relating to the costs and expenses incurred by the Issuer or an Affiliate of the Issuer in redeeming the Notes early or terminating, liquidating, obtaining or re-establishing any related funding, hedging or trading position in connection with the Notes as a result of a Credit Event occurring. Where such amount represents a cost to the Issuer it shall be expressed as a positive amount and where such amount represents an amount payable to the Issuer it shall be expressed as a negative amount.

"**Valuation Date**" means:

(a) if "Single Valuation Date" is specified in the relevant Final Terms, subject to the provisions of Credit Linked Condition 15 (*Effect of DC Announcements*), the date that is the number of Business Days specified in the relevant Final Terms after the Event Determination Date (or, if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of "Event Determination Date" or sub-paragraph (b)(i) of the definition of "Non-Standard Event Determination Date", the day on which the DC Credit Event Announcement occurs) or, if the number of Business Days is not so specified, any day falling on or before the 90th Business Day after the Relevant Event Determination Date or, following any Auction Cancellation Date or No Auction Announcement Date, after such Auction Cancellation Date or No Auction Announcement Date (in each case, as selected by the Calculation Agent in its discretion, acting in a commercially reasonable manner);

(b) if "Multiple Valuation Dates" is specified in the relevant Final Terms, subject to the provisions of Credit Linked Condition 15 (*Effect of DC Announcements*), each of the following dates:

  (i) the date that is the number of Business Days specified in the relevant Final Terms after the Event Determination Date (or, if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of "Event Determination Date" or sub-paragraph (b)(i) of the definition of "Non-Standard Event Determination Date", the day on which the DC Credit Event Announcement occurs), Auction Cancellation Date or No Auction Announcement Date (or, if the number of Business Days is not specified, 5 Business Days); and

  (ii) each successive date that is the number of Business Days specified in the relevant Final Terms (or if the number of Business Days is not so specified, 5 Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the relevant Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the relevant Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

(c) if neither "Single Valuation Date" nor "Multiple Valuation Dates" is specified in the relevant Final Terms, the terms of sub-paragraph (a) of this definition shall apply as if "Single Valuation Date" had been specified in the relevant Final Terms.

"**Valuation Method**" means:

(a) where there is only one Valuation Date, Highest, Lowest or Market, as specified in the relevant Final Terms.

  If no Valuation Method is specified in the relevant Final Terms, the Valuation Method shall be Highest.

(b) where there is more than one Valuation Date, Average Highest, Average Market or Highest, as specified in the relevant Final Terms.

  If no Valuation Method is specified in the relevant Final Terms, the Valuation Method shall be Average Highest.

  where:

  (i) "Average Highest" means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent (or in accordance with sub-paragraph (b) of the definition of "Quotation") with respect to each Valuation Date;

(ii) "Average Market" means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or

(iii) "Highest" means the highest Quotation obtained by the Calculation Agent (or in accordance with sub-paragraph (b) of the definition of "Quotation") with respect to any Valuation Date;

(iv) "Lowest" means the lowest Quotation obtained by the Calculation Agent (or in accordance with sub-paragraph (b) of the definition of "Quotation") with respect to any Valuation Date; and

(v) "Market" means the Market Value determined by the Calculation Agent with respect to the Valuation Date.

Notwithstanding sub-paragraphs (a) and (b) of this definition, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market or Average Market, as the case may be.

"**Valuation Obligation**" means:

(a) any Obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the "Method for determining Valuation Obligations" below;

(b) the Reference Obligation of the relevant Reference Entity;

(c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Deliverable Obligation; and

(d) if Asset Package Delivery is applicable, any Prior Deliverable Obligation (if, "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms) or any Package Observable Bond (if the Reference Entity is a Sovereign),

in each case, (i) unless it is an Excluded Valuation Obligation and (ii) provided that the Obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for the purposes of sub-paragraph (d) of this definition, immediately prior to the relevant Asset Package Credit Event).

*(A) Method for determining Valuation Obligations*

A Valuation Obligation shall be each Obligation of the Reference Entity described by the Valuation Obligation Category specified in the relevant Final Terms, and, subject to Credit Linked Condition 22 (*Interpretation of Obligation Characteristics and Valuation Obligation Characteristics*), having each of the Valuation Obligation Characteristics, if any, specified in the relevant Final Terms, in each case, as of the Valuation Date (unless otherwise specified in the relevant Final Terms). The following terms shall have the following meanings:

(I) "**Valuation Obligation Category**" means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purposes of determining Valuation Obligations, the definition of "Reference Obligation Only" shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligation Only).

(II) "**Valuation Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance, (each as defined in the definition of "Obligation" below), Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

If an obligation would have been capable of being specified as a Valuation Obligation immediately prior to a Credit Event in respect of a Reference Entity, such obligation (as in effect after such Credit Event) shall continue to be able to constitute a Valuation Obligation after the occurrence of such Credit Event. If it is not possible or reasonably practicable to specify any obligation as a Valuation Obligation of the Reference Entity because there is or will be no Valuation Obligation in existence at any time, the Calculation Agent shall designate by notice (which shall be in writing (including by facsimile and/or by email)) to the Agent one or more bonds, loans, instruments, certificates or other obligations which have been or will be issued in

exchange, whether pursuant to a mandatory or voluntary exchange, for one or more bonds, loans, instruments, certificates or obligations of the Reference Entity that would have been capable of being specified as a Valuation Obligation immediately prior to the occurrence of the Relevant Credit Event of the Reference Entity, provided, that failure to deliver such notice shall not affect the effectiveness of such designation.

(1) "**Accelerated or Matured**" means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws;

(2) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial Issuers or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent;

(3) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such Loan) or any agent;

(4) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer (to the extent the Issuer is then a lender or a member of the relevant lending syndicate), or (B) any lender or member of the relevant lending syndicate nominated by the Issuer or the Calculation Agent;

(5) "**Maximum Maturity**" means an obligation that has a remaining maturity of not greater than the period specified in the relevant Final Terms (or if no such period is specified, 30 years);

(6) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International or any other internationally recognised clearing system; and

(7) "**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 U.S. 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);

(b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or

(c) restrictions in respect of blocked periods on or around payment dates or voting periods;

"**Valuation Obligation Provisions**" means the provisions of the Credit Linked Notes that specify criteria for establishing what obligations may constitute Valuation Obligations.

"**Valuation Time**" means the time specified as such in the relevant Final Terms or, if no such time is specified, the time determined by the Calculation Agent, which shall be as close as reasonably practicable to 11:00 a.m. London time, unless the Calculation Agent determines that the principal market valuing the Reference Obligation would be closed at such time or such transactions are not being conducted in sufficient volume (as determined by the Calculation Agent in its discretion, acting in a commercially reasonable manner) at such time, in which event the Valuation Time shall be such other time as may be specified by the Calculation Agent that such principal market is open.

"**Voting Shares**" means the shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"**Weighted Average Quotation**" means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but of a size at least equal to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

"**Weighting**" means in respect of a Reference Entity, the weighting specified for such Reference Entity in the relevant Final Terms.

## 22 Interpretation of Obligation Characteristics and Valuation Obligation Characteristics

(a) If either of the Obligation Characteristics "Listed" or "Not Domestic Issuance" is specified in the relevant Final Terms, the relevant Final Terms shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds;

(b) If (i) either of the Valuation Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the relevant Final Terms, the relevant Final Terms shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds; (ii) the Valuation Obligation Characteristic "Transferable" is specified in the relevant Final Terms, such 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; or (iii) any of the Valuation Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the relevant Final Terms, such 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

(c) If more than one of "Assignable Loan", "Consent Required Loan" and "Direct Loan Participation" are specified as Valuation Obligation Characteristics in the relevant Final Terms, 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.

(d) If an Obligation or a Valuation Obligation is a Relevant Guarantee, the following will apply:

(i) For the purposes of the application of the Obligation Category or the Valuation Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation;

(ii) For the purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or Valuation Obligation Characteristics, if any, specified in the relevant Final Terms from the following list: "Not Subordinated", "Specified Currency", "Not Sovereign Lender", "Not Domestic Currency" and "Not Domestic Law".

(iii) For the purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Valuation Obligation Characteristics, if any, specified in the relevant Final Terms from the following list: "Listed", "Not Domestic Issuance", "Assignable Loan", "Consent Required Loan", "Direct Loan Participation", "Transferable", "Maximum Maturity", "Accelerated" or "Matured" and "Not Bearer"; and

(iv) For the 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.

(e) For purposes of the application of the Valuation Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Valuation Obligation in effect at the time of making such determination and, in the case of a Valuation Obligation that is due and payable, the remaining maturity shall be zero.

(f) If "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the relevant Final Terms, if an obligation would otherwise satisfy a particular Obligation Characteristic or Valuation Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic or Valuation Obligation Characteristic.

(g) For purposes of determining the applicability of Valuation Obligation Characteristics and the requirements specified in sub-paragraph (a) of the definition of "Mod R" and sub-paragraph (a) of the definition of "Mod Mod R" to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the Relevant Obligation in effect immediately prior to the Asset Package Credit Event.

(h) If "Subordinated European Insurance Terms" is specified as applicable in the relevant Final Terms, if an obligation would otherwise satisfy the "Maximum Maturity" Valuation Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Valuation Obligation Characteristic.

## 23 CoCo Supplementary Provisions

If "**CoCo Supplementary Provisions**" is specified as applicable in the relevant Final Terms, the following provisions will apply:

(a) A CoCo Provision shall be deemed to be a provision which permits a Governmental Intervention for all purposes under these Credit Linked Conditions.

(b) If, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, the operation of one or more CoCo Provisions results in (i) a permanent or temporary reduction of the amount of principal payable at redemption or (ii) a conversion of principal into shares or another instrument, such event shall be deemed to constitute a Governmental Intervention falling within sub-paragraph (a) of the definition of "Governmental Intervention".

(c) For the purposes of this Credit Linked Condition 23 (*CoCo Supplementary Provisions*):

"**CoCo Provision**" means, with respect to an Obligation, a provision which requires (i) a permanent or temporary reduction of the amount of principal payable at redemption or (ii) a conversion of principal into shares or another instrument, in each case, if the Capital Ratio is at or below the Trigger Percentage;

"**Trigger Percentage**" means the trigger percentage specified in the relevant Final Terms (or if no such trigger percentage is specified, 5.25 per cent.); and

"**Capital Ratio**" means the ratio of capital to risk weighted assets applicable to the Obligation, as described in the terms thereof in effect from time to time.

For the avoidance of doubt, the operation of one or more CoCo Provisions shall not result in delivery of the Valuation Obligation to Noteholders.

## USE OF PROCEEDS

*This section explains what the net proceeds from the sale of the Notes issued under the Programme will be used for.*

The net proceeds from each issue of Notes will be applied by the Issuer to assist the financing of the activities of the Guarantor or its Affiliates to the extent permitted by applicable law. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

# FORM OF THE GUARANTEE

*This section sets out the form of the guarantee the Guarantor will provide under the Programme.*

THIS DEED OF GUARANTEE is made on 21 June 2016 by KBC Bank NV (the "**Guarantor**") in favour of (1) the Relevant Account Holders (as defined in the Deed of Covenant referred to below), (2) the holders for the time being of the Notes (as defined below) and the interest coupons (if any) appertaining to the Notes ("**Coupons**", such expression to include any talons for further Coupons issued in respect of any Notes), the Coupons being attached on issue to Definitive Note(s) (as defined below) and (3) the Accountholders (as defined in Clause 1(B) below). Each Relevant Account Holder, each holder of a Note and each holder of a Coupon is a "**Holder**".

WHEREAS:

(A) KBC IFIMA S.A. (the "**Issuer**") and the Guarantor have entered into a Programme Agreement pursuant to which the Issuer may from time to time issue Notes with a denomination of EUR 100,000 (or the equivalent in other currencies) or more (the "**Programme Agreement**", which expression includes the same as it may be amended, supplemented or restated from time to time) dated 21 June 2016 with the Dealers named therein under which the Issuer proposes from time to time to issue Notes (the "**Notes**", such expression to include each Definitive Note issued by the Issuer and each Global Note issued by the Issuer and to include any receipts issued in respect of Notes repayable in instalments).

(B) This Deed of Guarantee will apply to all Notes issued pursuant to the Issuer's EUR 15,000,000,000 Wholesale Euro Medium Term Note Programme (the "**Wholesale Programme**") on or after the date hereof, other than any Notes issued so as to be consolidated and form a single Series with any Notes issued prior to the date hereof.

(C) The Issuer has executed a Deed of Covenant on 21 June 2016 (the "**Deed of Covenant**", which expression includes the same as it may be amended, supplemented or restated from time to time) relating to Global Notes issued by the Issuer pursuant to the Programme Agreement.

(D) The Issuer and the Guarantor have entered into an Agency Agreement (the "**Agency Agreement**", which expression includes the same as it may be amended, supplemented or restated from time to time) dated 21 June 2016 with KBL European Private Bankers S.A. (the "**Agent**") and the other agents named therein in relation to the Wholesale Programme.

(E) Terms defined in the Conditions of the Notes (the "**Conditions**"), the Programme Agreement, the Agency Agreement and/or the Deed of Covenant and not otherwise defined in this Deed of Guarantee shall have the same meanings when used in this Deed of Guarantee.

NOW THIS DEED WITNESSES as follows:

## 1 Guarantee

(A) Subject as set out in Clause 6, the Guarantor hereby unconditionally and irrevocably guarantees by way of deed poll to each Holder (i) all sums payable by the Issuer to such Holder or (ii) performance of any delivery obligation owed by the Issuer to such Holder, in each case in respect of any Note or any Coupon relating thereto or under the Deed of Covenant in respect thereof, as the case may be, (including any premium or any other amounts of whatever nature or additional amounts which may become payable under any of the foregoing) when and as the same shall become due and payable in accordance with the terms thereof. In case of the failure of the Issuer punctually (x) in the case of (i) above, to make any such payment, the Guarantor hereby undertakes to cause such payment to be made punctually when and as the same shall become due and payable and (y) in the case of (ii) above, to perform or procure the performance of any delivery obligation, the Guarantor hereby undertakes to cause such performance or the procurement of such performance to occur punctually when and as the same shall become due to be performed, in each case whether at maturity, upon redemption by acceleration of maturity or otherwise, as if such payment or delivery, as the case may be, were made or performed by the Issuer in accordance with the terms thereof. The Guarantor hereby waives any requirement that any Holder, in the event of any default of such payment or delivery as the case may be by the Issuer, first makes demand upon or seeks to enforce remedies against the Issuer before seeking to enforce this Guarantee; agrees that its obligations under this Guarantee shall be

unconditional and irrevocable irrespective of the validity, regularity or enforceability of such Notes or of such Coupons or of the Deed of Covenant in respect thereof, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions thereof, the recovery of any judgment against the Issuer or any action to enforce the same, any consolidation, merger, conveyance or transfer by the Issuer or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor; and covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in such Notes, such Coupons, the Deed of Covenant and this Guarantee.

(B) For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Guarantor as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Guarantor as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note.

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 approved by the Issuer and the Agent.

The Guarantor covenants in favour of each Accountholder that it will (i) make all payments (if any) under this Guarantee in respect of the principal amount of Notes for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as being held by the Accountholder and represented by a Global Note to the holder of the Global Note and (ii) perform or procure the performance of all delivery obligations (if any) in accordance with the Conditions, in each case, in accordance with the terms of this Guarantee and acknowledges that each Accountholder may take proceedings to enforce this covenant and any of the other rights which it has under this Guarantee directly against the Guarantor.

## 2 The Guarantor as principal debtor

Without affecting the Issuer's obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal debtor (including (a) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (b) any amendment to any Note, any Coupon or the Deed of Covenant or to any security or other guarantee or indemnity, (c) the making or absence of any demand on the Issuer or any other person for payment, (d) the enforcement or absence of enforcement of any Note, any Coupon, the Deed of Covenant or of any security or other guarantee or indemnity, (e) the release of any such security, guarantee or indemnity, (f) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (g) the illegality, invalidity or unenforceability of or any defect in any provision of any Note, any Coupon or the Deed of Covenant or any of the Issuer's obligations under any of them).

## 3 The Guarantor's obligations continuing

The Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable or delivery obligation in respect of any Note, any Coupon or the Deed of Covenant remains owing. Furthermore, these obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of a Holder, whether from the Guarantor or otherwise. The Guarantor irrevocably waives all notices and demands whatsoever.

## 4 Repayment to the Issuer

If any payment or other consideration received by a Holder is, on the subsequent liquidation or insolvency of the Issuer, avoided under any laws relating to liquidation or insolvency, such payment or other consideration will not be considered as having discharged or diminished the liability of the Guarantor and this Guarantee will continue to apply as if such payment or other consideration had at all times remained owing by the Issuer.

## 5 Indemnity

As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum expressed to be payable or delivery obligation expressed to be owed by the Issuer under any Note, any Coupon or the Deed of Covenant but which is for any reason (whether or not now known or becoming known to the Issuer, the Guarantor or any Holder) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Holder or otherwise delivered by it on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by any Holder.

## 6 Status of Guarantee

The obligations of the Guarantor under this Guarantee in respect of the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Guarantor, without any preference among themselves and *pari passu* 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.

## 7 Withholding or reduction

If Condition 14*(a)* is specified as applicable in the applicable Final Terms, 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 other charges of whatever nature imposed, levied or collected by or on behalf of any Tax Jurisdiction, 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 pay such additional amounts as shall be necessary in order that the net amounts received by the relevant Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt, Coupon or Underlying Note (as defined in the Deed of Covenant):

(i) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other charges in respect of such Note, Receipt, Coupon or Underlying Note by reason of his having some connection with any Tax Jurisdiction other than the mere holding of such Note, Receipt, Coupon or Underlying Note; or

(ii) presented for payment in any Tax Jurisdiction; or

(iii) to, or to a third party on behalf of, a Holder who would be able to avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so; or

(iv) if demand for payment is made more than 30 days after the Relevant Date (as defined in Condition 14*(a)*) except to the extent that the Holder would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or

(v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vi) to, or to a third party on behalf of, a Relevant Account Holder who would have been able to avoid such withholding or deduction by presenting the Note, Receipt, Coupon or Underlying Note to another Paying Agent in a Member State of the European Union; or

(vii) where such deduction or withholding is imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (the "**Code**"), as amended, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement).

## 8 Power to execute

The Guarantor hereby warrants, represents and covenants with each Holder and Accountholder that it has all power, that it has obtained all necessary governmental consents and authorisations, and that it has taken all necessary steps, in each case to enable it to execute, deliver and perform this Guarantee and that this Guarantee constitutes legal, valid and binding obligations of the Guarantor in accordance with its terms.

## 9 Deposit of Guarantee

This Guarantee shall take effect as a deed poll for the benefit of the Holders and Accountholders from time to time and for the time being. This Guarantee shall be deposited with and held by KBL European Private Bankers S.A. as Agent until all the obligations of the Guarantor have been discharged in full.

## 10 Production of Guarantee

The Guarantor hereby acknowledges the right of every Holder and Accountholder to the production of, and the right of every Holder and Accountholder to obtain (upon payment of a reasonable charge) a copy of, this Guarantee, and further acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Holder and Accountholder, and that each Holder and Accountholder shall be entitled severally to enforce the said obligations against the Guarantor.

## 11 Subrogation

Until all amounts which may be payable under the Notes, the Coupons and/or the Deed of Covenant have been irrevocably paid in full and all delivery obligations of the Issuer thereunder have been performed in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Holder or claim in competition with the Holders against the Issuer.

## 12 Contracts (rights of third parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Guarantee, but this does not affect any right or remedy of any person which exits or is available apart from that Act.

## 13 Governing law and jurisdiction

(i) This Guarantee (and any non-contractual obligations arising out of or in connection with this Guarantee), except Clause 6, shall be governed by, and construed in accordance with, English law. Clause 6 of this Guarantee (and any non-contractual obligations arising out of or in connection with Clause 6 of this Guarantee) shall be governed by, and construed in accordance with, Belgian law.

(ii) The Guarantor agrees, for the exclusive benefit of the Holders and the Accountholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee (including any dispute relating to any non-contractual obligations arising out of or in connection with this Guarantee) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with this Guarantee (including any Proceedings relating to any non-contractual obligation arising out of or in connection with this Guarantee) may be brought in such courts. The Guarantor hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Guarantor undertakes that, in the event of it ceasing so to act or ceasing to be registered in England, it will appoint a person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

IN WITNESS whereof this Guarantee has been manually executed as a deed poll on behalf of the Guarantor.

Executed as a deed by

KBC Bank NV
acting by

acting under the
authority of that company
in the presence of:
Witness's Signature:
Name:
Address:
Dated 21 June 2016

# DESCRIPTION OF THE ISSUER

*This section provides a description of the Issuer's business activities as well as certain financial information in respect of the Issuer.*

## KBC IFIMA S.A.

### History and Development

The Issuer's legal and commercial name is KBC IFIMA S.A. The Issuer is currently incorporated in the form of a limited liability company under the laws of the Grand Duchy of Luxembourg and is registered in the Grand Duchy of Luxembourg with registered number B 193577.

The Issuer was incorporated in the form of a limited liability company and was registered in The Netherlands on 15 April 1982. On 31 December 2014 at midnight, the Issuer changed its legal and commercial name, domicile, legal form and country of incorporation from KBC Internationale Financieringsmaatschappij N.V., to KBC IFIMA S.A. having its registered office at 5, Place de la Gare, L-1616, Luxembourg, telephone number +352/266442, incorporated in the Grand Duchy of Luxembourg as a limited liability company. The Issuer has an unlimited duration and operates under the laws of the Grand Duchy of Luxembourg.

The Issuer’s principal objects, as set out in Article 3 of its articles of association are the issue of bonds and the on-lending of the proceeds to the Guarantor, its subsidiaries and associated companies. The Issuer’s principal activity consists of the administration of the bonds issued and the loans made.

### Recent Events

There have not been any recent events relevant to the evaluation of the Issuer's solvency, nor has there been any material adverse change in the prospects of the Issuer, since 31 December 2015.

### Investments

There has been no relevant investment made by the Issuer since the date of its last published financial statements (31 December 2015).

The Issuer has not resolved upon making any future investments since the date of its last published financial statements.

### Business Overview

- The purpose of the Issuer is the issue of bonds and the on-lending of the proceeds to the Guarantor and its subsidiaries and associated companies. The Issuer's principal activity consists of the administration of the bonds issued and the loans made.
- The Issuer has not engaged, since its incorporation, in any material activities other than those relating to the described issue of securities and the authorisation of documents and agreements related thereto to which it is, or will be, a party. The Issuer is directly owned by the Guarantor and its debt is fully guaranteed by the Guarantor. The Issuer is accordingly dependent on the Guarantor and other members of KBC Bank Group servicing those loans.
- The Issuer is indirectly controlled by KBC Group NV and ultimately by the shareholders of KBC Group NV. An overview of the shareholding of KBC Group is available on www.kbc.com. At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.
- This Base Prospectus does not contain statements regarding the competitive position of the Issuer or forecasts or estimates in respect of the Issuer.

### Trend Information

There are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

**Board of Directors of the Issuer**

The Issuer is managed by a Board of Directors of at least three (3) members, which is not supervised by a supervisory board. The members of the Board of Directors are appointed by the General Meeting of the Shareholders.

As at the date of approval of this Base Prospectus, the composition of the Management Board of the Issuer is set out in table below:

| Name | Position | Principal Activities outside the Issuer |
|---|---|---|
| Ivo Irma BAUWENS | Company Director | Executive director, KBC Financial Indemnity International S.A.<br>Chief Executive Officer, KBC Group Re S.A.<br>Executive director, Kredietcorp S.A.<br>Non-executive director; KBC Financial Products International S.A.<br>Executive director, KBC Participations Renta S.A.<br>Executive director, KBC Participations Renta B<br>Executive director, KBC Participations Renta C<br>Non-executive director, KBC Asset Management S.A. |
| Fatima BOUDABZA | Company Director | Non-executive director, KBC Financial Products International S.A. |
| Frank Maria CAESTECKER | Company Director | Executive director, KBC Investments Limited<br>Executive director, KBC Financial Products International S.A. |
| Rik Jos JANSSEN | Company Director | Executive director, Galloway Bulgaria OOD<br>Executive director, KBC Credit Investments NV |
| Sabrina GOCKEL | Company Director | None |

The business address of each Company Director of the Issuer in his/her capacity as such is 5, Place de la Gare, L-1616, Luxembourg, the Grand Duchy of Luxembourg. The Issuer shall by bound by the joint signature of two Company Directors.

The Issuer's Board of Directors has no committees.

There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties. The Issuer is not aware of any affiliations/associations of the members of the Board of Directors outside the Issuer which are relevant to the Issuer.

The Issuer has adopted corporate governance policies which comply with the laws and regulations of the Grand Duchy of Luxembourg regarding corporate governance.

The Issuer has two (2) permanent employees. Terms of employment are governed by the Collective Labour Agreement pertaining to the Luxembourgish insurance sector. There have been no employee related disputes.

### Audit Committee

There is no legal requirement for the Issuer to establish an audit committee and therefore no steps have been taken towards such purpose.

### Organisational Structure

The KBC group consists of the KBC Group NV (the holding company) and its wholly-owned subsidiaries KBC Bank NV and KBC Insurance NV. The Issuer is a wholly-owned subsidiary of the Guarantor and acts as a financing vehicle for the Guarantor and its subsidiaries. The Issuer complies with the control requirements and standards of the Group with regard to accounting, operations, internal controls and risk management. For a description of the KBC Bank Group, please see the section titled "*Description of the Guarantor*" below.

### Capital Structure

| | |
|---|---|
| **Authorised** | |
| 42,340 ordinary shares of EUR 453.78 ..... | 19,213,045 |
| **Paid-in and called-up share capital** | |
| 10,585 ordinary shares of EUR 453.780255 ..... | 4,803,264 |

The paid-in and called-up share capital consists of 10,585 ordinary shares of EUR 453.78 each, which are fully held by the Guarantor.

There have been no movements in the issued share capital during 2014 and 2015.

### Major Shareholders

The Guarantor holds 100 per cent. of the share capital of the Issuer. The Issuer is not aware of any arrangements the operation of which may result in a change of control of the Issuer. No specific measures are in place to prevent abuse of control.

## FINANCIAL STATEMENTS AND SELECTED FINANCIAL INFORMATION OF THE ISSUER

### Historical Financial Information

The Issuer's economic, asset and financial information for the 2015 financial year is contained in the Issuer's Financial Report 2015, which is available to the public.

### Financial Statements

The Issuer prepares audited non-consolidated annual financial statements. The latest audited non-consolidated financial information relating to the Issuer is the Issuer's Financial Report 2015 and is dated 27 April 2016.

### Auditing of historical annual financial information

The report of the independent registered public accounting firm (Ernst and Young S.A.) contained in the Issuer's Financial Report 2015 (pages 6 to 7), is available to the public and incorporated by reference in this Base Prospectus.

The report dated 27 April 2016 on the financial information for the Issuer's Financial Report 2015 issued by Ernst & Young S.A., expressed an unqualified opinion on the above mentioned financial information.

### Selected Financial Information

The Issuer carried out a cross-border transfer of its statutory seat from The Netherlands to Luxembourg, which became effective at midnight on 31 December 2014. Therefore the tables below set out a summary of key financial information extracted from the Issuer's financial reports (i) for the fiscal year ended on 31 December 2014 the audited financial information prepared under generally accepted accounting principles applicable in The Netherlands ("**Dutch GAAP**") and the non-audited financial information prepared in accordance with generally accepted accounting principles applicable in the Grand Duchy of Luxembourg ("**Luxembourg GAAP**"); and (ii) for the fiscal year ended on 31 December 2015 the audited financial information prepared in accordance with Luxembourg GAAP.

| KBC IFIMA S.A. | HIGHLIGHTS OF THE BALANCE SHEET FOR THE YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2015 | | |
|---|---|---|---|
| | **2014** prepared under Dutch GAAP (audited) | **2014** prepared under Luxembourg GAAP (non-audited) | **2015** prepared under Luxembourg GAAP (audited) |
| **Assets** | EUR | EUR | EUR |
| **Fixed assets** | | | |
| Financial asset | N/A | 6,648,480,579 | 4,071,723,451 |
| Tangible fixed assets | N/A | N/A | N/A |
| Financial fixed assets | 6,635,195,158 | N/A | N/A |
| Long term bank deposits | 4,803,264 | 4,803,264 | 4,803,264 |
| Derivatives | 92,632,296 | N/A | N/A |
| **Total fixed assets** | **6,732,630,718** | **6,653,283,843** | **4,076,526,715** |
| **Current assets** | | | |
| Derivatives | 46,415,965 | N/A | N/A |
| Loans falling due within one year | 3,462,407,525 | 3,463,290,920 | 2,443,254,294 |
| Interest receivable | N/A | 154,854,460 | 94,593,768 |
| Interests receivable and prepaid expenses | 154,836,326 | N/A | N/A |
| Cash | 4,606,635 | 4,606,635 | 6,471,842 |
| **Total current assets** | **3,668,266,451** | **3,622,752,015** | **2,544,319,904** |
| **Prepayments** | N/A | **13,431,780** | **9,709,527** |
| **Total assets** | **10,400,897,169** | **10,289,467,638** | **6,630,556,146** |
| **Liabilities** | EUR | EUR | EUR |
| **Capital and reserves** | | | |
| Paid-in and called-up share capital | 4,803,264 | 4,803,264 | 4,803,264 |
| Retained earnings | 4,185,281 | 4,185,282 | 4,202,740 |
| Net profit for the year | 1,768,717 | 1,948,977 | 2,296,717 |
| | **10,757,262** | **10,937,523** | **11,302,721** |
| **Provisions** | | | |
| Provision for costs relating to the transfer of the company's corporate seat | 360,000 | N/A | N/A |
| Provisions for taxation | N/A | 654,588 | 1,623,699 |
| Other provisions | N/A | 360,000 | 144,791 |
| | N/A | **1,014,588** | **1,768,490** |
| **Long Term Liabilities** | | | |
| Bond issued | 6,638,881,509 | N/A | N/A |
| Derivatives | 92,632,296 | N/A | N/A |
| Non convertible loans | N/A | 6,648,287,350 | 4,071,679, 405 |
| **Current liabilities** | | | |
| Derivatives | 46,415,965 | N/A | N/A |
| Issued bonds falling due within one year | 3,459,372,263 | N/A | N/A |
| Other current liabilities | 152,477,874 | N/A | N/A |
| Non convertible bonds | N/A | 3,615,655,539 | 2,536,174,843 |
| Other liabilities | N/A | 43,803 | 84,587 |
| | **3,658,266,102** | **13,528,835** | **9,546,100** |
| **Total liabilities** | **10,400,897,169** | **10,289,467,638** | **6,630,556,146** |
| | **HIGHLIGHTS OF THE PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2015** | | |
| | **2014** prepared under Dutch GAAP (audited) | **2014** prepared under Luxembourg GAAP (non-audited) | **2015** prepared under Luxembourg GAAP (audited) |
| | EUR | EUR | EUR |
| **Interest Income** | 408,791,652 | N/A | N/A |
| **Interest expense** | (405,155,308) | N/A | N/A |

| | | | |
|---|---|---|---|
| **Gross margin** | 3,636,344 | N/A | N/A |
| **Total Expenses** | (1,291,655) | N/A | N/A |
| **Profit before taxation** | 2,344,689 | N/A | N/A |
| **Corporation tax** | (575,972) | N/A | N/A |
| **Net profit for the year** | 1,768,717 | N/A | N/A |
| | | | |
| **Charges** | EUR | EUR | EUR |
| | | | |
| Operating expenses | N/A | 1,289,461 | 729,987 |
| Value adjustments | N/A | 1,751 | N/A |
| Interest and other financial charges | N/A | 405,156,579 | 238,425,097 |
| Income tax | N/A | 627,230 | 990,577 |
| Profit for the financial year | N/A | 1,948,977 | 2,296,717 |
| **Total charges** | N/A | **409,023,998** | **242,442,378** |
| | | | |
| **Income** | EUR | EUR | EUR |
| | | | |
| Income from financial assets | N/A | 408,701,831 | 242,191,043 |
| Other interest and other financial income | N/A | 322,167 | 251,335 |
| **Total income** | N/A | **409,023,998** | **242,442,378** |

| | **HIGHLIGHTS OF THE CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2015** | | |
|---|---|---|---|
| | **2014** prepared under Dutch GAAP (audited) | **2014** prepared under Luxembourg GAAP (non-audited) | **2015** prepared under Luxembourg GAAP (audited) |
| | EUR | EUR | EUR |
| Net profit | 1,768,717 | 1,948,977 | 2,296,717 |
| | | | |
| Adjustment for: | | | |
| Depreciation | 1,752 | 1,752 | N/A |
| Interests income/charges | N/A | (3,251,656) | (3,765,946) |
| Net amortisation on loans and bonds | (374,421) | (374,421) | (243,450) |
| Other provision | N/A | (180,260) | (215,209) |
| Other – adjustment | N/A | N/A | (231,519) |
| | 1,396,048 | (1,855,608) | (2,159,407) |
| | | | |
| Change in other assets and liabilities accruals | 920,310 | N/A | N/A |
| Change in other assets and liabilities | N/A | N/A | 24,288 |
| Taxes (paid)/received | (48,729) | (624,701) | (535) |
| Tax provision | N/A | 575,972 | 969,111 |
| **Net cash flow from operational activities** | **2,267,629** | **(1,904,337)** | **(1,166,543)** |
| | | | |
| Distribution on liquidation of subsidiaries | N/A | N/A | N/A |
| Financial fixed assets – issued | (328,366,811) | (328,366,811) | (112,631,764) |
| Financial fixed assets – repaid | 7,321,451,623 | 7,321,451,623 | 3,710,206,174 |
| Interest received | N/A | 495,748,486 | 302,451,735 |
| **Net cash flow from investment activities** | **6,993,084,812** | **7,488,833,298** | **3,900,026,145** |
| | | | |
| Bonds issued | 328,366,811 | 328,366,811 | 112,631,764 |
| Bonds repaid | (7,321,498,443) | (7,321,498,443) | (3,710,135,676) |
| Dividend paid | (3,100,000) | (3,100,000) | (1,700,000) |
| Interest paid | N/A | (491,576,520) | (297,790,483) |
| **Net cash flow from financing activities** | **(6,996,231,632)** | **(7,487,808,152)** | **(3,896,994,395)** |

| | | | |
|---|---|---|---|
| **Net cash flow** | **(879,191)** | **(879,191)** | **1,865,207** |
| Cash balance as at 1 January | 5,485,826 | 5,485,826 | 4,606,635 |
| Cash balance as at 31 December | 4,606,635 | 4,606,635 | 6,471,842 |
| **Net cash flow** | **(879,191)** | **(879,191)** | **1,865,207** |

A dividend of EUR 1,700,000 was paid on 2 January 2015 out of net profit after tax 2014. During 2015 the Issuer issued notes amounting in total to EUR 112,631,764 (2014: EUR 328,366,811); the interest income of the Issuer amounted to EUR 242,442,378, as compared to EUR 409,023,998 in 2014.

On 26 May 2016, the Board of Directors of KBC IFIMA S.A. gave a favourable opinion on the merger of the Issuer with the Luxembourg sister company KBC Financial Products International S.A., implying the dissolution of the latter, KBC IFIMA S.A. being the absorbing company. The merger is expected to be completed by 28 June 2016.

No further important events, material or financial, occurred relating to the company since 31 December 2015.

### Litigation

In June 2012 KBC Internationale Financieringsmaatschappij N.V. and KBC Bank NV were summoned to appear before the court in Brussels on foot of a claim brought on behalf of former bondholders. The claim amounting to EUR 1,306,137 relates to losses incurred by the investors on early redemption of the bonds held by them. The lawsuit is being contested by KBC Internationale Financieringsmaatschappij N.V. and KBC Bank NV. Based on the information available to the directors, they are of the opinion that it is unlikely the company will suffer a loss and therefore no provision has been made in the accounts for this. After many changes in the timeline, the judgment date has been fixed to 26 June 2015.

Except for the above mentioned litigation, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.

# DESCRIPTION OF THE GUARANTOR

*This section provides a description of the Guarantor's business activities as well as certain financial information in respect of the Guarantor.*

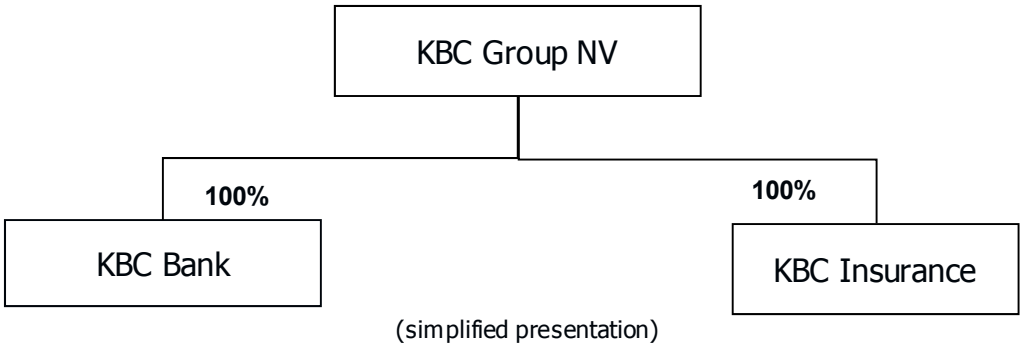
## KBC BANK

### 1. Creation

KBC Bank NV ("**KBC Bank**"), a wholly-owned subsidiary of KBC Group NV, was established in Belgium in 1998 as a bank (with number BE-0462.920.226) for an unlimited duration and operates under the laws of Belgium. KBC Bank's registered office is at Havenlaan 2, B-1080 Brussels, Belgium and it can be contacted via its Telecenter (+32) (0) 16 43 29 15. As KBC Bank is a wholly-owned subsidiary of KBC Group NV, KBC Bank is indirectly controlled by the shareholders of KBC Group NV (KBC Group NV together with its subsidiaries, "**KBC Group**" or "**KBC**").

In short, KBC Bank was initially formed through the merger of the banking operations of the Almanij-Kredietbank group and CERA Bank group ("**CERA**"). The merger combined the operations of four Belgian banks: Kredietbank, CERA, Bank van Roeselare and CERA Investment Bank. KBC Bank is registered as a credit institution with the National Bank of Belgium (the "**NBB**").

A simplified schematic of KBC Group's legal structure is provided below. KBC Bank and KBC Insurance NV each have a number of subsidiaries. A list of the subsidiaries of KBC Bank and KBC Insurance NV is available on the website at www.kbc.com. KBC Bank together with its subsidiaries is referred to as "**KBC Bank Group**".




As at the date of this Base Prospectus, the share capital of KBC Bank was EUR 8.948 million and consisted of 915,228,482 ordinary shares, one of which is held by its sister company KBC Insurance NV and the remainder are held by KBC Group NV. KBC Group NV's shares are listed on Euronext Brussels. An overview of the shareholding of KBC Group NV is available on the website at www.kbc.com. The core shareholders of KBC Group NV are KBC Ancora, CERA, MRBB and the other core shareholders.

KBC Bank, as full subsidiary of KBC Group NV, also has, besides its banking activities, a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, KBC Bank is affected by the cash flows from dividends received from these group companies. KBC Bank also functions as funding provider for a number of these group companies.

The major other subsidiary of KBC Group NV is KBC Insurance NV. KBC Bank co-operates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products.

### 2. The EU Plan of KBC Group

Since 2009, KBC Group has been working on a strategic analysis of its group-wide activities and of the economic and financial environment KBC Group operates in. This effort has resulted in a strategic plan, which has been tested under different macroeconomic scenarios. The plan analysed KBC Group's business and its proposed future strategy, and also served as a basis for the European Commission to assess KBC

Group's capacity to redeem the capital securities subscribed by the Belgian State and the Flemish Region of Belgium (the core capital securities or 'state aid') within a reasonable timeframe.

This is common practice for European financial institutions that have taken part in economic stimulus plans launched by the EU Member States. The initial plan was cleared by European regulatory authorities on 18 November 2009. A number of changes were proposed later on and the amended plan was accepted by the European Commission on 27 July 2011 (the "**EU Plan**").

In the EU Plan, KBC Group refocuses on its core bank-insurance activities in Belgium and four selected countries in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria). A number of subsidiaries and activities, many of which related to investment banking activities, had to be scaled down or sold. International corporate lending outside the home markets had to be scaled down.

More specifically, the restructuring plan agreed with the European Commission included a list of activities that had to be divested. By year-end 2014, KBC Group had implemented all of this plan.

In addition to the divestments included in the EU Plan, KBC Group also succeeded in scaling down in full its portfolio of CDOs within a timeframe of five years. On 16 and 25 September 2014, KBC collapsed the last two remaining CDOs in its portfolio. Collapsing these CDOs also released KBC from the CDO guarantee agreement which was entered into with the Belgian Federal Government on 14 May 2009 and completely eliminates KBC Group's exposure to MBIA.

## 3. KBC GROUP STRATEGY

KBC Bank's strategy is fully embedded in the strategy of its parent company, KBC Group NV. A summary is given below of the strategy of KBC Group, where KBC Bank is essentially responsible for the banking business and KBC Insurance NV for the insurance business.

On 17 June 2014, KBC Group organised an Investor Day, at which occasion (among other things) KBC Group presented an update of its strategy and targets. The presentations and press release of the Investor Day are available on the website at www.kbc.com. It can be summarised as follows:

- KBC Group wants to build on its strengths and be among Europe's best-performing, retail focused financial institutions. It intends to achieve this aim by further strengthening its bank insurance business model for retail, small and medium-sized enterprises ("**SMEs**") and mid-cap clients in its core markets in a highly cost-efficient way. The model has reached different stages of implementation in the different core countries. In Belgium, the bank and the insurance company already act as a single operational unit, achieving both commercial and non-commercial synergies. In its other core countries (the Czech Republic, the Slovak Republic, Hungary and Bulgaria), KBC Group is targeting at least integrated distribution, so that commercial synergies can be realised by 2017 at the latest.

- Having both banking and insurance activities integrated within one group creates added value for both clients and KBC Group. Going forward, KBC Group will put further emphasis on the seamless fulfilment of client needs through its bank-insurance offering in the core countries, allowing it to create sustainable, long-term client relationships and to diversify its income streams.

- KBC Group will focus on sustainable and profitable growth within a solid risk, capital and liquidity framework. Profitability should take priority over growth or increasing market shares. Risk management is already fully embedded in KBC Group's strategy and decision-making process and KBC Group wishes to secure the independence of the embedded risk framework through closer monitoring by the Group CRO and by reporting to the Board of Directors of each business entity.

- In recent years, KBC Group has invested heavily in its various distribution channels, i.e. its bank branches and insurance agencies, client contact/service centres, websites and mobile apps. KBC Group wants to create added value for its clients by accurately meeting their needs in terms of financial products. Therefore, everything at KBC is based on the client's needs and not on its banking or insurance products and services. To ensure this happens, KBC analyses a raft of information in its

databases. KBC wants to allow clients to decide for themselves whether they want a more personalised approach and the resultant offering. It is also the client who chooses how and when these products and services are provided and through which distribution channel. That is why the different channels are accorded equal status at KBC and need to seamlessly complement and reinforce each other. Because KBC Group is strongly embedded in its local markets, and clients' needs are defined by their local environment, each core country will make the necessary changes and investments in its own way and at its own pace.

- The seamless integration of the distribution channels creates a dynamic and client-driven distribution model. The client is at the centre of what KBC Group does. Everything starts from their needs. This is supported by a performance and client-driven corporate culture that is implemented throughout the group, with the focus on building long-term client bank insurance relationships.

- KBC Group has no plans to significantly expand beyond its current geographical footprint. In its core markets (Belgium, the Czech Republic, Hungary, the Slovak Republic, Bulgaria), it will strengthen its bank-insurance presence through organic growth or through acquisitions, if attractive opportunities arise (and based on clear and strict financial criteria), and strive for market leadership (a top 3 bank and top 4 insurer) by 2020. For Ireland, KBC's first priority was to become profitable from 2016 onwards. This target has already been reached at the end of 2015. As of then, all available options will be considered (i.e. whether to organically grow a profitable bank, build a captive bank-insurance group or sell a profitable bank).

- The profit, capital and liquidity targets, which the KBC Group aims to achieve at the highest level, can be found hereunder. The target for the common equity ratio has been brought in line with the recent regulatory requirements, i.e. the announcement of the ECB's new minimum capital requirements for 2016 (a common equity ratio of at least 9.75%, phased in according to the Danish compromise method) and added to that is the NBB's new capital buffer for systemically important banks (an additional 0.5% in common equity for 2016 to be built up over three years on a straight-line basis to 1.5% in 2018).

The profit, capital and liquidity targets, which the group aims to achieve at the highest level, are as follows:

| Financial targets | | By |
|---|---|---|
| CAGR total income ('13*-'17)<br>*(excl. MTM valuation of ALM derivatives)* | ≥ 2.25% | 2017 |
| CAGR bank-insurance gross income ('13-'17) | ≥ 5% | 2017 |
| Cost/income ratio | ≤ 53% | 2017 |
| Combined ratio | ≤ 94% | 2017 |
| Common equity ratio<br>*(phased-in, Danish compromise)* | ≥ 10.25% | 2016 |
| Total capital ratio<br>*(fully loaded, Danish compromise)* | ≥ 17% | 2017 |
| NSFR | ≥ 105% | 2014 |
| LCR | ≥ 105% | 2014 |
| Dividend payout ratio<br>*(incl. coupon paid on state support and AT1)* | ≥ 50% | 2016 |

* 2013: adjusted result

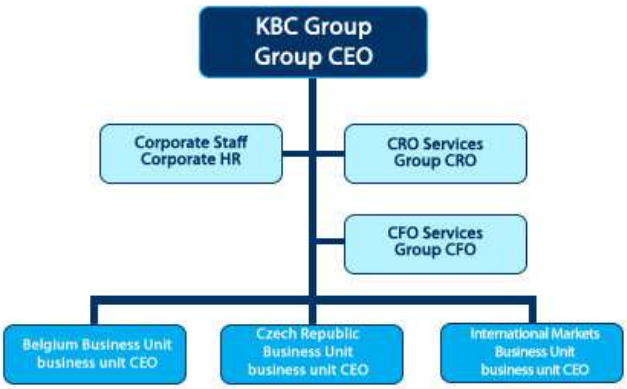
A definition of the above-mentioned ratios can be found in the Annex of the Annual Report of the Guarantor for the financial year ending on 31 December 2015 incorporated by reference.

The specific strategic focus and initiatives per business unit (Belgium, Czech Republic, International Markets) are highlighted in the press release dd. 17 June 2014, available on the website at www.kbc.com.

## 4. Management structure

KBC Group's strategic choices are fully reflected in the group structure, which consists of a number of new business units and support services and which are presented in simplified form as follows:

Structure as at the date of this Base Prospectus:



The management structure essentially comprises:

(i) the three business units, which focus on the local business and are expected to contribute to sustainable earnings and growth:

- Belgium;
- Czech Republic;
- International markets: encompasses the other core countries in Central and Eastern Europe (the Slovak Republic, Hungary and Bulgaria) and KBC Bank Ireland;

(ii) the CRO Services and CFO Services pillars (which act as an internal regulator, and whose main role is to support the business units), the Corporate Staff pillar (which is a competence centre for strategic know-how and best practices in corporate organisation and communication) and Corporate HR.

Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the CEO, the Chief Risk Officer (CRO), and the Chief Financial Officer (CFO) constitute the executive committee.

## 5. Short presentation of KBC Bank Group

| **Shareholders (31 December 2015)** | **Number of shares** |
|---|---|
| KBC Group NV | 915,228,481 |
| KBC Insurance NV | 1 |
| Total | 915,228,482 |

The shareholdership of KBC Group NV (parent company of KBC Bank) is available on the website at www.kbc.com.

***Network***

**Network (as at 31 December 2015)**

| | |
|---|---|
| Bank branches in Belgium | 783 |
| Bank branches in Central and Eastern Europe (Czech Republic, Slovak Republic, Hungary and Bulgaria) | 750 |
| Bank branches in the rest of the world (incl. rep. offices) | 27* |

** including branches of KBC Bank and KBC Bank Ireland.*

***Income Statement***

The table below sets out highlights of the information extracted from KBC Bank's consolidated income statement for each of the two years ended 31 December 2014 and 31 December 2015, respectively:

| **Highlights of the consolidated income statement KBC Bank (in millions of EUR)** | **Full year 2014** | **Full year 2015** |
|---|---|---|
| Net interest income | 3,648 | 3,675 |
| Dividend income | 14 | 19 |
| Net result from financial instruments at fair value through profit or loss | 195 | 224 |
| Net realised result from available-for-sale assets | 49 | 82 |
| Net fee and commission income | 1,822 | 1,945 |
| Other net income | 5 | 200 |

| | | |
|---|---|---|
| **TOTAL INCOME** | **5,734** | **6,145** |
| Operating expenses | -3,311 | -3,388 |
| Impairment | -472 | -650 |
| Share in results of associated companies and joint-ventures | 22 | 21 |
| **RESULT BEFORE TAX** | **1,973** | **2,128** |
| Income tax expense | -504 | 291 |
| **RESULT AFTER TAX** | **1,469** | **2,419** |
| Attributable to minority interest | 157 | 180 |
| Attributable to equity holders of the parent | 1,312 | 2,239 |

The financial highlights for full year 2015 are, compared to full year 2014:

- KBC Bank ended 2015 with a consolidated net profit under IFRS of EUR 2,239 million, as opposed to a net profit of EUR 1,312 million in 2014. The net increase was due principally to higher income (among other things increased net fee and commission income and other net income), lower loan loss impairment but higher impairment on goodwill and a positive one-off impact related to the liquidation of KBC Financial Holding Inc. (EUR 765 million).
- There was a virtually unchanged level of net interest income and a growth in the net fee and commission income.
- Positive impact of the valuation of derivatives used for asset/liability management purposes.
- There was an increase in most other income items.
- There was a growth in lending and deposits in virtually all core markets.
- Solid cost/income ratio of 55% for banking activities.
- Reduction in impairment charges of loans, increase in impairment on goodwill.
- Robust solvency position: a Basel III common equity ratio of 14.1% (phased-in) or 13.7% (fully-loaded).
- Additional positive impact of EUR 765 million (after tax), due primarily to the recognition of a deferred tax asset in respect of the liquidation of a group company.

***Balance Sheet***

The table below sets out highlights of the information extracted from KBC Bank's consolidated balance sheet statement as at 31 December 2014 and 31 December 2015:

| **Highlights of the consolidated balance sheet, KBC Bank (in millions of EUR)** | **31 – 12 - 2014** | **31 – 12- 2015** |
|---|---|---|
| Total assets | 211,116 | 217,626 |
| Loans and advances to customers | 125,550 | 129,206 |
| Securities (equity and debt instruments) | 50,175 | 51,613 |
| Deposits from customers and debt securities | 163,647 | 170,873 |
| Risk weighted assets (Basel III) | 80,232 | 79,758 |
| Total equity | 13,336 | 13,490 |

| | | |
|---|---|---|
| of which parent shareholders' equity | 11,676 | 11,888 |

## 6. RATINGS OF KBC BANK NV

| Long-term credit ratings (as at the date of this Base Prospectus) | |
|---|---|
| Fitch | A- |
| Moody's | A1 |
| Standard and Poor's | A |

***Ratings can change. Various ratings exist. Investors should look at www.kbc.com for the most recent ratings and for the underlying full analysis of each rating agency to understand the meaning of each rating***.

Each such credit rating agency is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" as published by ESMA in accordance with Article 18(3) of such Regulation.

## 7. MAIN COMPANIES WHICH ARE SUBSIDIARIES OF KBC BANK OR IN WHICH IT HAS SIGNIFICANT HOLDINGS AS OF 31 DECEMBER 2015

| Company | Registered office | Ownership percentage of KBC Bank | Activity (simplified) |
|---|---|---|---|
| **Main fully consolidated subsidiaries** | | | |
| CBC Banque SA | Brussels – BE | 100.00 | Credit institution |
| CIBANK EAD | Sofia - BG | 100.00 | Credit institution |
| ČSOB a.s. (Czech Republic) | Prague – CZ | 100.00 | Credit institution |
| ČSOB a.s. (Slovak Republic) | Bratislava – SK | 100.00 | Credit institution |
| KBC Asset Management NV | Brussels – BE | 51.86 | Asset management |
| KBC Bank NV | Brussels – BE | 100.00 | Credit institution |
| KBC Bank Ireland Plc. | Dublin - IE | 100.00 | Credit institution |
| KBC Commercial Finance NV | Brussels – BE | 100.00 | Factoring |
| KBC Credit Investments NV | Brussels – BE | 100.00 | Investment firm |
| KBC Finance Ireland | Dublin – IE | 100.00 | Lending |
| KBC Financial Products (group) | Various locations | 100.00 | Shares and derivatives trading |
| KBC IFIMA SA | Luxemburg - LU | 100.00 | Issuance of bonds |
| KBC Lease (group) | Various locations | 100.00 | Leasing |
| KBC Securities NV | Brussels – BE | 100.00 | Stock exchange broker/corporate finance |
| K&H Bank Rt. | Budapest – HU | 100.00 | Credit institution |
| **Main companies accounted for using the equity method** | | | |
| - | | | |

A full list of companies belonging to KBC Bank at year end 2015 is provided in its 2015 annual report.

## 8. GENERAL DESCRIPTION OF ACTIVITIES OF KBC BANK GROUP

KBC Bank Group is a multi-channel bank that caters primarily to private persons, SMEs and midcaps.

Its geographic focus is on Europe. In its "home" (or "*core*") markets Belgium, Czech Republic, Slovak Republic, Hungary and Bulgaria, KBC Bank Group has important and (in some cases) even leading positions. KBC Bank Group is also present in Ireland and in certain other countries where the primary focus is on supporting the corporate clients of the home markets.

KBC Bank Group's core business is retail and private bank-insurance (including asset management), although it is also active in providing services to corporations and market activities. Across its home markets, KBC Bank Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV), to specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing etc.

As set out in Section 2 above "*The EU Plan of KBC Group*", KBC Group has refocused its business on its core bank-insurance activities in Belgium and a number of countries in Central and Eastern Europe (i.e. the home markets of Czech Republic, Slovak Republic, Hungary and Bulgaria). Therefore, a number of subsidiaries and activities, many of which related to investment banking activities, have been scaled down or sold in the past years. International corporate lending outside the home markets has been also downscaled.

## 9. PRINCIPAL MARKETS AND ACTIVITIES

**Activities in Belgium**

| **Market position of the bank network in Belgium, end 2015** | |
|---|---|
| Market share<br>(own KBC Bank estimates) | Credits 23%<br>Deposits 18%<br>Investment funds 40% |
| Bank branches | 783 |

KBC Bank Group has a network of around 800 bank branches in Belgium (KBC Bank branches in Flanders, CBC Banque branches in Wallonia and KBC Brussels branches in the Brussels region). The branches focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in co-operation with KBC Bank's sister company, KBC Insurance NV) and other specialised financial banking products and services. KBC Bank Group's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet (including a mobile banking app). KBC Bank and CBC Banque serve, based on their own estimates, approximately 3.2 million clients.

KBC Group considers itself to be an integrated bank-insurer. Certain shared and support services are organised at group level, serving the entire group, and not just the bank or insurance businesses separately. It is KBC Group's aim to continue to actively encourage the cross-selling of bank and insurance products. The success of KBC Group's integrated bank-insurance model is in part due to the co-operation that exists between the bank branches and the insurance agents, whereby the branches sell standard insurance products to retail customers and refer their customers to the insurance agents for non-standard products. Claims-handling is the responsibility of the insurance agents, the call centre and the head office departments at KBC Insurance NV.

End of 2015, KBC Bank Group had (see table), based on its own estimates, a 21% share of traditional banking activities in Belgium (18% share of the Belgian deposit market and a 23% share of the lending market). Over the past few years, KBC Bank has built up a strong position in investment funds too, and leads according to its own estimates the Belgian market with an estimated share of close to 40%.

KBC Bank Group believes in the power of a physical presence through a branch and agency network that is close to its clients. At the same time, however, it expects the importance of online and mobile bank-insurance to grow further and it is constantly developing new applications in these areas. This includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and expanded. KBC-Online is also providing clients with information and facilities to perform their own banking and/or insurance transactions.

In KBC Group's financial reporting, the Belgian activities are combined into a single Belgium Business Unit. The results of the Belgium Business Unit essentially comprises the activities of KBC Bank, and its Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group (Belgium) and KBC Securities.

Focus in the future:

- New technologies are considered an important means to focus even more on client-centric solutions. In this regard, various initiatives to enhance client centricity have been launched or are planned. For example, a new simplified offering of current account packages (including a charge-free current account) is being provided to clients as of today to better respond to their current needs, a new responsive and convenient bank-insurance platform (Touch) was launched, and the Start it @kbc initiative for people starting up a business has proven to be a success and is growing steadily.
- The KBC Group used to be active in Brussels under the 'KBC' and 'CBC' brands. However, the decision has been taken to more efficiently exploit the full – but currently undertapped – potential of Brussels. As of 2015, a new separate 'KBC Brussels' was launched, reflecting the specific cosmopolitan character of Brussels and the needs of its population. Retail and SME clients receive a single, unified bank-insurance product and service offering and existing KBC/CBC branches are being repositioned.
- In Wallonia, CBC – with its autonomous operational and commercial model and strong embeddedness in the local economy – has recorded solid and constant year-on-year gross revenue growth. It also boasts strong solvency and liquidity positions, and has significant market shares in the professional sector, in the agricultural sector and in the retail client sector. Building on these strong fundamentals, CBC wishes to further mine the growth potential in selected market segments in banking and insurance. As of 2015, CBC is increasing its footprint in Wallonia and enhances its availability and service offering. CBC will open a number of new bank branches and relocate existing ones.

**Activities in Central and Eastern Europe**

| **Market position of the bank network in the home countries of Central and Eastern Europe, end 2015** | | **Czech Republic** | **Slovak Republic** | **Hungary** | **Bulgaria** |
|---|---|---|---|---|---|
| Market share (own KBC Bank estimates) | Banking products* | 19% | 11% | 10% | 3% |
| | Investment funds | 26% | 7% | 18% | - |
| Bank branches | Total | 316** | 125 | 209 | 100 |

** Average of the share in credits and the share in deposits*
*** ČSOB Bank+ Era.*

In the Central and Eastern European region, KBC Bank Group focuses on four home countries in the Central and Eastern European region, being the Czech Republic, the Slovak Republic, Hungary and Bulgaria. The main KBC Bank Group Central and Eastern European entities in those home markets are ČSOB (in the Czech Republic), ČSOB (in the Slovak Republic), K&H Bank (in Hungary) and CIBANK (in Bulgaria). In its four home countries, KBC Bank Group caters to roughly 4.5 million customers. This customer base, along with KBC Group's insurance customers in the region (via KBC Insurance NV subsidiaries), make KBC Group one

of the larger financial groups in the Central & Eastern European region. KBC Bank Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in co-operation with KBC Insurance NV's subsidiaries in each country) and other specialised financial banking products and services. Just as in Belgium, the bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the internet.

KBC Group's bank-insurance concept has over the past few years been exported to its Central and Eastern European entities. In order to be able to do so, KBC Group has built up a second home market in Central and Eastern Europe in insurance (via KBC Insurance NV). KBC Group has an insurance business in every Central and Eastern European home country: in the Czech Republic, the Group's insurer is ČSOB Pojist'ovňa, in the Slovak Republic, ČSOB Poist'ovňa, in Hungary, K&H Insurance and in Bulgaria, DZI Insurance. Contrary to the situation of KBC Bank in Belgium, KBC Group's insurance companies in Central and Eastern Europe operate not only via tied agents (and bank branches) but also via other distribution channels, such as insurance brokers and multi-agents.

KBC Bank Group's estimated market share (the average of the share of the lending market and the deposit market, see table) amounts to 19% in the Czech Republic, 11% in the Slovak Republic, 10% in Hungary, and 3% in Bulgaria (rounded figures). KBC Bank Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 26% in the Czech Republic, 7% in the Slovak Republic, and 18% in Hungary).

In KBC Bank Group's financial reporting, the Czech activities are separated in a single Czech Republic Business Unit, whereas the activities in the other Central and Eastern European countries, together with Ireland (see further) are combined into the International Markets Business Unit. The Czech Republic Business Unit hence comprises all KBC Bank Group's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, Era, Postal Savings Bank, Hypotečni banka, Patria and ČMSS brands) and ČSOB Asset Management. The International Markets Business Unit comprises the activities conducted by entities in the other (non-Czech) Central and Eastern European core countries, namely ČSOB in the Slovak Republic, K&H Bank in Hungary and CIBank in Bulgaria, plus KBC Bank Ireland's Irish operations.

On 1 July 2015, ČSOB Leasing and Volksbank Leasing International concluded an agreement for ČSOB Leasing to acquire all the shares of Volksbank Leasing Slovakia and its insurance brokerage subsidiary, Volksbank Sprostredkovatel'ska. Volksbank Leasing Slovakia is a universal leasing company in the Slovak Republic with a market share of approximately 6% and a balance sheet total of approximately EUR 170 million. KBC is the clear leader on the Slovak leasing market through ČSOB Leasing. The deal has no material impact on KBC Group's earnings and capital.

Focus in the future:

- The Czech Republic Business Unit's ambition is to create value for its clients by moving from a primarily channel-driven to a client-driven solution, based on the creation of an integrated model, which brings together clients, third parties and bank-insurance. New types of nonfinancial, service-oriented products will be integrated to create superior client satisfaction and provide added value for clients. On the one hand, ČSOB will increasingly focus on reducing complexity (in products, IT, organisation, bank/distribution network, head office and branding) to generate cost-efficiency benefits. On the other hand, the business unit will further enhance and accelerate bank-insurance in a number of ways, including introducing an advanced and flexible pricing model, developing combined bank-insurance products, and strengthening the insurance sales force. ČSOB wishes to maintain growth in the areas where it traditionally has been very strong, such as corporate loans and mortgages. On top of that, ČSOB will mine the currently undertapped potential in the attractive SME loans market by focusing on sustainable client relationships. In the consumer finance market, too, ČSOB is aiming to increase its current market share, while observing an acceptable cost of risk.
- In the International Markets Business Unit, K&H (Hungary) and ČSOB Slovakia intend to transform their branch-centric model to a hybrid distribution model. K&H plans to further support the Hungarian economy and grow its market shares in all key segments, with continuous improvements in efficiency and profitability. In the Slovak Republic, business income is expected to increase above market expectations, especially in retail asset classes (home loans, consumer finance, SMEs and leasing). CIBANK (Bulgaria) is following the same path as K&H and ČSOB, but with slower

dynamics due to a less mature market. The bank-insurance partnership between DZI and CIBANK has grown strongly over the past few years and they plan to extend this partnership by further developing products and distribution channels.

**Activities in the rest of the world**

A number of companies belonging to KBC Bank Group are also active in, or have outlets in, countries outside the home markets, among which KBC Bank, which has a network of foreign branches and KBC Bank Ireland. See also the list of main companies (under Section 7 – "Main companies which are subsidiaries of KBC Bank Group or in which it has significant holdings as of 31 December 2015") or the full year end list on the website at www.kbc.com.

The loan portfolio of KBC Bank Ireland stood at about EUR 13.9 billion at the end of December 2015, circa 84% of which relates to mortgage loans. At the end of December 2015, some 47% (EUR 6.6 billion) of the total Irish loan portfolio was impaired (of which EUR 3.3 billion more than 90 days past due). For the impaired loans, some EUR 2.8 billion (specific and portfolio-based) impairments have been booked. In addition to the ongoing management of the problem real estate portfolio, the group started work in 2013 on transforming and developing KBC in Ireland into an important retail bank (see below). The Group estimates its share of the Irish market in 2015 at 11% for retail mortgage loans and 6% for retail deposits. It caters for around 0.2 million clients there. In 2015, the contribution of KBC Bank Ireland to KBC Bank's net result was EUR 13 million compared to EUR -179 million in 2014. A full profit and loss scheme for Ireland is available in KBC Bank's segment reporting[1].

Focus in the future:

KBC Bank Ireland's main strategic goal is to make the transition from a digitally led monoliner (mortgage and deposits) bank to a full retail bank, with a complete retail product offering and a limited bricks-and-mortar presence. By not having the heritage of a large branch network, KBC Bank Ireland can make a fresh start in developing a complete retail product offering through digital channels. The multi-platform distribution reach will be digitally led via online and mobile solutions and a contact centre supported by an agile physical presence (hubs, mobile banks and mobile advisers) in key urban areas. The bank has the ambition to grow strongly in retail mortgages while expanding its overall retail product offering. KBC Bank Ireland will continue to reduce its existing corporate and SME loan portfolio in line with its deleveraging strategy. It has a clear focus on cost control given the significant investment in staff, IT and marketing to implement its retail strategy.

The foreign branches of KBC Bank are located mainly in Western Europe, Southeast Asia and the U.S. and focus on serving customers that already do business with KBC Bank's Belgian or Central and Eastern European network. In the past years, many of the other (niche) activities of these branches have been built down, stopped or sold, and the pure international credit portfolio has been scaled down.

In KBC Bank Group's financial reporting, KBC Bank Ireland is included in the International Markets Business Unit, the foreign branches of KBC Bank are part of the Belgium Business Unit. The three business units (Belgium, Czech Republic and International Markets) are supplemented by the Group Centre. The Group Centre includes the operational costs of the holding activities of the group, certain capital and liquidity management related costs, costs related to the holding of participations and the results of the remaining companies or activities earmarked for divestment or in run-down. It also includes results related to the legacy businesses (CDOs, divestment results; both immaterial since 2015) and the valuation of own credit risk.

In July 2015, KBC Asset Management agreed to sell its 49% stake in Union KBC AM to Union Bank of India. This did not have any material impact on KBC Banks's earnings and capital.

## 10. COMPETITION

All of KBC Bank Group's operations face competition in the sectors they serve.

Depending on the activity, competitor companies include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, insurance companies,

[1] Segment reporting based on the management structure in the Financial Statements of the annual and semi-annual reports, available on www.kbc.com.

specialised finance companies, asset managers, private bankers, investment companies, e-commerce companies, etc.

In both Belgium and Central and Eastern Europe, KBC Bank Group has an extensive network of branches and KBC Bank Group believes most of its companies have a strong name brand recognition in their respective markets.

In Belgium, KBC Bank Group is perceived as belonging to the top three (3) financial institutions. For certain products or activities, KBC Bank Group estimates it has a leading position (e.g. in the area of investment funds). The main competitors in Belgium are BNP Paribas Fortis, Belfius and ING, although for certain products, services or markets, other financial institutions may also be important competitors.

In its Central and Eastern European home markets, KBC Bank Group is one of the important financial groups, occupying significant positions in banking. In this respect, KBC Bank Group competes, in each of these countries, against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

In the rest of the world, KBC Bank Group's presence mainly consists of a limited number of branches and subsidiaries. In this case, KBC Bank Group faces competition both from local companies and international financial groups.

## 11. STAFF

In 2014, KBC Bank Group had, on average and on a consolidated basis, about 27,000 employees (full time or equivalent), the majority of who were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. In addition to consultations at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank Group also works closely in other areas with employee associations. There are various collective labour agreements in force.

## 12. RISK MANAGEMENT

Mainly active in banking, insurance and asset management, KBC Group is exposed to a number of typical risks such as - but certainly not exclusively - credit risk, market risk, movements in interest rates and exchange rates, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations and customer litigation as well as the economy in general.

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it.

A description of risk management is available in the 2015 risk report, available on the website at www.kbc.com[1].

### Risk governance

Below follows a description of credit risk, market risk (trading & non-trading activities), liquidity risk and operational risk. A selection of figures on credit risk, asset and liability management ("**Asset and Liability Management**" or "**ALM**") and market risk in trading activities are provided further on.

- Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance, a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk which is the risk for adverse changes in credit ratings.
- Market risk in trading activities is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices, e.g. interest rates, exchange rates, equity or commodity prices. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.

[1] https://www.kbc.com/system/files/doc/investor-relations/Results/JVS_2015/Risk_Report_2015.pdf.

- Market risk in non-trading activities (also known as Asset and Liability Management) is the process of managing the Group's structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.
- Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. The principal objective of KBC Bank Group's liquidity management is to be able to fund such needs and to enable the core business activities of KBC Bank Group to continue to generate revenue, even under adverse circumstances.
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, human error or from sudden external events, whether man-made or natural. Operational risks exclude business, strategic and reputational risks.

KBC Group's risk governance framework defines the responsibilities and tasks required to manage value creation and the associated risks. In recent years, KBC Group's risk management framework underwent significant changes with regard to governance and structure. The goal of these changes was to further improve KBC Group's ability to deal decisively with major economic events in the future by creating an adjusted and comprehensive integrated model that aligns all dimensions of risk, capital and value management.

## Credit risk

The main source of credit risk is the loan and investment portfolio of KBC Bank Group. A snapshot of this portfolio is shown in the table below.

Loan & investment portfolio:

As far as the banking activities are concerned, the main source of credit risk is the loan and investment portfolio. The loan & investment portfolio is mainly the result of what can be considered as pure, traditional lending activities. It includes all retail lending such as mortgage loans and consumer loans, all corporate lending such as (committed and uncommitted) working capital credit lines, investment credit, guarantee credit and credit derivatives (protection sold) and all non-government debt securities in the investment books of KBC Group's bank entities. The table below excludes other credit risks, such as trading exposure (issuer risk), counterparty risk associated with inter-professional transactions, international trade finance (documentary credit, etc.) and government bonds.

**Loan & investment portfolio of KBC Bank Group*:**

| | 31 December 2012 | 31 December 2013 | 31 December 2014 | 31 December 2015 |
|---|---|---|---|---|
| **Total loan portfolio (in billions of euro)** | | | | |
| Amount granted | 167 | 161 | 166 | 174 |
| Amount outstanding | 141 | 135 | 139 | 143 |
| **Loan & investment portfolio breakdown by business unit (as a % of the portfolio of credit granted)** | | | | |
| Belgium | 63% | 64% | 64% | 65% |
| Czech Republic | 15% | 13% | 14% | 14% |
| International Markets | 19% | 19% | 18% | 18% |
| Group Centre (IFRS 5 scope) | 3% | 4% | 4% | 3% |
| Total | 100% | 100% | 100% | 100% |
| **Loan & investment portfolio breakdown by counterparty sector (as a % of the portfolio of credit granted)** | | | | |
| Non-financial services | 11% | 11% | 11% | 11% |
| Retail and wholesale trade | 7% | 8% | 8% | 8% |
| Real estate (risk) | 8% | 8% | 7% | 7% |

| | | | | |
|---|---|---|---|---|
| Construction | 4% | 4% | 4% | 4% |
| **Impaired loans (in millions of euro or %)** | | | | |
| Amount outstanding | 10,757 | 13,871 | 13,692 | 12,305 |
| Specific loan impairments | 4,614 | 5,521 | 5,709 | 5,517 |
| Portfolio-based loan impairments | 244 | 284 | 215 | 229 |
| **Credit cost ratio, per business unit** | | | | |
| Belgium | 0.28% | 0.37% | 0.23% | 0.19% |
| Czech Republic | 0.31% | 0.26% | 0.18% | 0.18% |
| International Markets | 2.26% | 4.48% | 1.06% | 0.32% |
| Group Centre | 1.06% | 2.40% | 1.17% | 0.54% |
| Total | 0.69% | 1.21% | 0.41% | 0.30% |
| Total (including entities classified as 'disposal groups' under IFRS 5) | 0.70% | 1.21% | 0.42% | 0.23% |
| **Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of euro or %)** | | | | |
| Impaired loans that are more than 90 days past due . | - | 8,086 | 7,676 | 6,936 |
| Specific loan impairments | - | 4,046 | 4,384 | 4,183 |
| Non-performing ratio, per business unit | | | | |
| Belgium | - | 2.5% | 2.2% | 2.2% |
| Czech Republic | - | 3.1% | 2.9% | 2.5% |
| International Markets | - | 19.2% | 19.0% | 16.0% |
| Group Centre | - | 8.5% | 6.3% | 6.1% |
| Total | - | 6.0% | 5.5% | 4.8% |
| **Cover ratio (Specific loan loss impairment)/(impaired loans)** | | | | |
| Total | - | 40% | 42% | 45% |
| Total, excluding mortgage loans | - | 47% | 51% | 53% |

* Excluding KBC Bank Deutschland (classified as a 'disposal group' under IFRS 5 in 2013, sold in 2014). In 2013, KBC Bank Deutschland (see the relevant remark at the start of this section) accounted for 3.3 billion euros' worth of credit granted, 2.3 billion euros of which was outstanding.

The normal loan portfolio is split into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) reflecting the probability of default ("**PD**"). An internal rating ranging from PD 10 to PD 12 is assigned to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 is assigned to obligors that are more than 90 days past due (in arrears or overdrawn), yet are still performaing and do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD class 11 or PD class 12. Default status is fully aligned with non-performing status and with impaired status. PD Class 10 to 12 are therefore referred to as "defaulted" and "impaired". Likewise, "performing" status is fully aligned with "non-defaulted" and "non-impaired" status.

Loans to large corporations are reviewed at least once a year, with the internal rating being updated as a minimum. If the ratings are not updated in time, a capital add-on is imposed. Loans to small and medium sized enterprises and to private individuals are reviewed periodically. During this review, any new information that is available (such as arrears, financial data or a significant change in the risk class) will be taken into account. This monthly exercise can trigger a more in-depth review or may result in action being taken towards the client.

For credit linked to defaulted borrowers in PD class 10 to 12, the impairment losses are recorded based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD class 1 to 9, impairment losses are recorded on a portfolio basis, using a formula based on the IRB advanced models used internally, or an alternative method if a suitable IRB advanced model is not yet available. The "credit cost ratio" is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio.

**Other credit risks**

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for KBC Bank Group. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk, such as short-term commercial transactions (this activity involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and only entails exposure to financial institutions. Risks associated with this activity are managed by setting limits per financial institution and per country or group of countries), the counterparty risk of inter-professional transactions (refers to placements and the pre-settlement risk of derivatives), trading book securities - issuer risk (refers to the potential loss on default by the issuer of the trading securities) and the government securities in the investment portfolio of banking entities. Information on these risks can be found in the 2014 annual report of KBC Bank.

**Structured credit exposure KBC Group (CDOs and other ABS)**

The total net portfolio amount (i.e. excluding de-risked positions) of structured credit products (consisting predominantly of European residential mortgage-backed securities) decreased by EUR 0.1 billion compared to December 2014, standing at EUR 1.6 billion as at 31 December 2015. Redemptions were slightly higher than new investments to the tune of EUR 0.1 billion. In 2013, KBC decided to lift the strict moratorium on investments in ABS and to allow treasury investments in liquid, high-quality, non-synthetic European ABS, which are also accepted as eligible collateral by the ECB. This allows for further diversification in the investment portfolios. The moratorium on investments in synthetic securitisations or re-securitizations continues to exist.

Standing at more than EUR 25 billion in 2008, KBC has fully scaled down its CDO portfolio with the last action taken in September 2014 by collapsing the last two remaining CDOs originated by KBC Financial Products. These collapses ended the guarantee agreement with the Belgian State for KBC and completely eliminates the group's exposure to MBIA. KBC is, however, the counterparty to and issuer of a further EUR 0.2 billion worth of CDO notes issued by KBC Financial Products and held by third-party investors that will remain outstanding until November 2017. Negligible movements may yet be recorded in KBC Group's income statement in the coming quarters based on changes in the value of the CDO notes.

**Asset and Liability Management (market risks in non-trading activities)**

The main technique KBC uses to measure interest rate risks is the 10 basis point value ("**BPV**"). The 10 BPV measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). KBC also uses other techniques such as the gap analysis, the duration approach, the scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective). More details are available in the 2015 annual report of KBC Bank.

**BPV (10 basis points) of the ALM-book of KBC Bank Group (in millions of euro) (unaudited figures, except for those 'As at 31 December')**

| | |
|---|---|
| Average of 1Q 2012 | -52 |
| Average of 2Q 2012 | -49 |
| Average of 3Q 2012 | -49 |
| Average of 4Q 2012 | -47 |
| As at 31 December 2012 | -39 |
| Average of 1Q 2013 | -33 |
| Average of 2Q 2013 | -28 |
| Average of 3Q 2013 | -21 |
| Average of 4Q 2013 | -22 |
| As at 31 December 2013 | -22 |
| Average of 1Q 2014 | -55 |

| | |
|---|---|
| Average of 2Q 2014 | -61 |
| Average of 3Q 2014 | -71 |
| Average of 4Q 2014 | -57 |
| As at 31 December 2014 | -57 |
| Average of 1Q 2015 | -60 |
| Average of 2Q 2015 | -40 |
| Average of 3Q 2015 | -28 |
| Average of 4Q 2015 | -25 |
| As at 31 December 2015 | -25 |

## Market risk management

KBC Bank Group is exposed to market risk via the trading books of our dealing rooms in Belgium, the Czech Republic, the Slovak Republic and Hungary, as well as via a minor presence in the UK and Asia. The traditional dealing rooms, with the dealing room in Belgium accounting for the lion's share of the limits and risks, focus on trading in interest rate instruments, while activity on the FX markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

The market risk and regulatory capital in the four legacy business lines of KBC Investments Limited (formerly KBC Financial Products), namely the CDO, fund derivatives, reverse mortgages and insurance derivatives businesses have been reduced in recent years and are now almost equal to zero. This is especially the case for the fund derivatives, reverse mortgages and insurance derivatives businesses. Where the market risk regulatory capital charges represent only 1% of the total, the reverse mortgages and insurance derivatives businesses were transferred to KBC Bank NV in December 2015 due to the closing of some subsidiaries). These legacy business lines continue to be monitored and wound down by dedicated teams. Regarding the CDO business – and as mentioned in other parts of this report – KBC has now fully scaled down its CDO portfolio. Other than the position pertaining to the remaining EUR 0.2 billion (per 31 December 2015) of CDO notes held by investors which is located in the trading books of KBC Investments Limited. Consequently, the market risk regulatory capital for this position is recorded under the re-securitisation column (EUR 15 million per 31 December 2015) in the 'Trading regulatory capital requirements' table.

The table below shows the Historical Value-at-Risk (HVaR; 99% confidence interval, ten-day holding period, historical simulation) for the linear and non-linear exposure of all the dealing rooms of KBC Group (KBC Securities was included from April 2013 onwards). To allow a year-on-year comparison, the HVaR for KBC Investments Limited (relating to KBC's discontinued CDO business) is also shown.

As of October 2013, the HVaR for KBC Investment Limited's credit derivatives had fallen to zero due to a series of trades with external counterparties that generated an exact match of the offsetting positions in the scope of KBC Investment Limited's VaR model (perfect Back-to-Back positions). As a result, and due to the above-mentioned inclusion of KBC Securities in the HVaR for KBC Bank, all trading activity for KBC Group measured by HVaR has been included in the "KBC Bank" figure from that point on, and thus this figure represents the HVaR for KBC Group.

More details are available in the 2015 annual report of KBC Bank.

**Market risk HVaR [1] (Ten-day holding period, in millions of euro)**

| | KBC Bank | KBC Investments Limited |
|---|---|---|
| Average, 1Q 2013 | 37 | 1 |
| Average, 2Q 2013 | 37 | 1 |
| Average, 3Q 2013 | 34 | 1 |
| Average, 4Q 2013 | 29 | - |
| *End of period* | *28* | - |
| *Maximum in year* | *50* | *5* |

| | | |
|---|---|---|
| *Minimum in year* | *26* | *0* |
| Average, 1Q 2014 | 24 | - |
| Average, 2Q 2014 | 19 | - |
| Average, 3Q 2014 | 15 | - |
| Average, 4Q 2014 | 15 | - |
| *End of period* | *15* | - |
| *Maximum in year* | *29* | - |
| *Minimum in year* | *11* | - |
| Average, 1Q 2015 | 14 | |
| Average, 2Q 2015 | 15 | |
| Average, 3Q 2015 | 15 | |
| Average, 4Q 2015 | 16 | |
| *End of period* | *18* | |
| *Maximum in year* | *21* | |
| *Minimum in year* | *12* | |

**Regulatory capital charges for market risk**

National regulators have authorised KBC Bank, KBC Investments and ČSOB (Czech Republic) to use their respective VaR models to calculate regulatory capital requirements for part of their trading activities. ČSOB (Czech Republic) has also received approval from the local regulator to use its VaR model for capital requirement purposes. These models are also used for the calculation of Stressed VaR (SVaR), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of the SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. This period of stress is based on recent history and is calibrated regularly. The resulting capital requirements for trading risk are shown in the table below. The regulatory capital requirements for the trading risk of local KBC entities that did not receive approval from their respective regulator to use an internal model for capital calculations, as well as the business lines not included in the HVaR calculations, are measured according to the Standardised approach. This approach sets out general and specific risk weightings per type of market risk (interest risk, equity risk, foreign exchange risk and commodity risk). As mentioned higher, the re-securitisation regulatory capital for 2015 (15 million euros) emanates from the counterposition for the 0.2 billion euros of CDO notes held by investors (the counterposition is located in the trading books of KBC Investments Limited).

**Trading Regulatory Capital Requirements by risk type for KBC Group (in millions of euro)**

| | | Interest rate risk | Equity risk | FX risk | Commodity risk | Resecuritisation | Total |
|---|---|---|---|---|---|---|---|
| *31-12-2014* | | | | | | | |
| Market risks assessed by internal model | HVaR | 38 | 2 | 11 | - | - | 126 |
| | SVaR | 56 | 3 | 17 | - | | |
| Market risks assessed by the Standardised Approach | | 27 | 4 | 14 | 3 | 19 | 68 |
| Total | | 120 | 9 | 43 | 3 | 19 | 194 |
| *31-12-2015* | | | | | | | |
| Market risks assessed by internal model | HVaR | 68 | 3 | 9 | - | - | 192 |
| | SVaR | 84 | 2 | 26 | - | | |
| Market risks assessed by the Standardised Approach | | 18 | 5 | 16 | 2 | 15 | 56 |
| Total | | 171 | 10 | 50 | 2 | 15 | 248 |

## 13. BANKING SUPERVISION AND REGULATION

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed and comprehensive regulation in Belgium, and is supervised by the European Central Bank ("**ECB**"). The ECB exercises its prudential supervisory powers by means of application of EU rules and national (Belgian) legislation. The supervisory powers conferred to the ECB include, amongst others, the granting and withdrawal of authorisations to and from credit institutions, the assessment of acquisitions and disposals of qualifying holdings in credit institutions, ensuring compliance with the rules on equity, liquidity, statutory ratios and the carrying out of supervisory reviews (including stress tests) for credit institutions. Pursuant to Regulation (EU) n°468/2014 of 16 April 2014 establishing a framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities, a joint supervisory team has been established for the prudential supervision of KBC Bank (and KBC Group NV). This team is composed of staff members from the ECB and from the national supervisory authority (in casu the National Bank of Belgium (the "**NBB**")) and working under the coordination of an ECB staff member.

The Financial Services and Markets Authority ("**FSMA**"), an autonomous public agency, is in charge of supervision of conduct of business rules for financial institutions and financial market supervision.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted in each Member State, including Belgium. The general objective of these EU directives is to promote a unified internal market for banking services and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision and, in particular, licensing.

### Supervision and regulation in Belgium

The banking regime in Belgium is governed by the Law of 25 April 2014 on the legal status and supervision of credit institutions (the "**Banking Law**"). The Banking Law replaces the Law on the legal status and supervision of credit institutions of 22 March 1993 and implements various EU directives, including, without limitation, Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD**") and, where applicable, Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**", together with CRD, "**CRD IV**"), and Directive 2014/59 of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**"). CRD IV applies in Belgium since 1 January 2014, subject to certain requirements being phased in over a number of years, as set out therein. The provisions of the Banking Law which implement the BRRD have largely entered into force on 1 January 2016, with the exception of some provisions with regard to intragroup support and the coordination of early intervention measures in relation to groups.

The Banking Law sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the ECB and the NBB. The main objective of the Banking Law is to protect public savings and the stability of the Belgian banking system in general.

### Supervision of credit institutions

(1) All Belgian credit institutions must obtain a license from the ECB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 10% or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of "fit and proper" character to ensure proper and prudent management of the credit institution. The ECB therefore requires the disclosure of the identity and participation of any shareholder with a 10% or greater capital or voting interest. If the ECB considers that the participation of a shareholder in a credit institution jeopardizes its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers to a third party its participation in the credit institution. Prior notification to and non-opposition by the ECB is required each time a person intends to acquire shares in a credit institution, resulting either in the direct or indirect ownership of a qualified holding of the capital or voting rights (i.e. 10% or more), or in an increase of such qualified holding thereby attaining or surpassing 20%, 30% or 50%, or when the credit institution would become his subsidiary. Furthermore, a shareholder who wishes to directly or indirectly sell his participation or a

part thereof, which would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the ECB thereof. The Belgian credit institution itself is obliged to notify the ECB of any such transfer when it becomes aware thereof. Moreover, every shareholder acquiring, decreasing or increasing its holding (directly or indirectly, alone, together with affiliated persons or in concert with third parties) to 5% or more of voting rights or capital without reaching the qualifying holding threshold of 10%, must notify the ECB thereof within ten (10) working days.

(2) The Banking Law requires credit institutions to provide detailed periodic financial information to the ECB and, under certain circumstances, the FSMA. The ECB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The ECB sets the minimum capital adequacy ratios applicable to credit institutions. The ECB may also set other ratios, for example, with respect to the liquidity and gearing of credit institutions. It also sets the standards regarding solvency, liquidity, risk concentration and other limitations applicable to credit institutions and the publication of this information. The NBB may in addition impose capital requirements for capital buffers (including countercyclical buffer rates and any other measures aimed at addressing systemic or macro-prudential risks). In order to exercise its prudential supervision, the ECB may require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the ECB supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of a credit institution. In addition, the ECB may conduct on-site inspections (with or without the assistance of NBB staff). The comprehensive supervision of credit institutions is also exercised through Statutory Auditors who co-operate with the supervisor in its prudential supervision. A credit institution selects its Statutory Auditor from the list of auditors or audit firms accredited by the ECB. Within the context of the European System of Central Banks, the ECB issues certain recommendations regarding monetary controls.

(3) The Banking Law has introduced a prohibition in principle on proprietary trading. However, certain proprietary trading activities are excluded from this prohibition. Permitted proprietary trading activities (including certified market-making, hedging, treasury management, and long-term investments) are capped, and these types of activities must comply with strict requirements on reporting, internal governance and risk management.

(4) The Banking Law establishes a range of instruments to tackle potential crises of credit institutions at three stages:

*(a) Preparation and prevention*

Credit institutions have to draw up recovery plans, setting out the measures they would take to restore their financial position in the event of a significant deterioration to their financial position. These recovery plans must be updated at least annually or after a change to the legal or organisational structure of the institution, its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plans. In its review of the recovery plan, the ECB pays particular attention to the appropriateness of the capital and financing structure of the institution in relation to the degree of complexity of its organisational structure and its risk profile.

The Single Resolution Board ("**SRB**") will have to prepare a resolution plan for each significant Belgian credit institution, laying out the actions it may take if it were to meet the conditions for resolution (as set out in (c) below). The Resolution College of the NBB has the same powers with regard to the non-significant Belgian credit institutions. If the SRB/Resolution College identifies material impediments to resolvability during the course of this planning process, it can require a credit institution to take appropriate measures, including changes to corporate and legal structures.

*(b) Early intervention*

The ECB and the NBB dispose of a set of powers to intervene if a credit institution faces financial distress (e.g. when a credit institution is not operating in accordance with the provisions of the Banking Law or CRD IV), but before its financial situation deteriorates irreparably. These powers include the ability to dismiss the management and appoint a special commissioner, to convene a meeting of shareholders to adopt urgent reforms, to suspend or

prohibit all or part of the credit institution's activities (including a partial or complete suspension of the execution of current contracts), to order the disposal of all or part of the credit institution's shareholdings, and finally, to revoke the license of the credit institution.

*(c) Resolution*

In relation to credit institutions falling within the scope of the Single Supervisory Mechanism, such as KBC Bank (and KBC Group NV), the SRB is the resolution decision-making authority since 1 January 2016. Pursuant to Regulation (EU) No 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, the SRB replaced national resolution authorities (such as the Resolution College of the NBB) for resolution decisions with regard to significant credit institutions.

The SRB/Resolution College can decide to take resolution measures when the three following circumstances are cumulatively present: (i) the competent authority or the SRB/Resolution College has made the determination (in each case, after consulting each other), that a credit institution is failing or is likely to fail; (ii) there is no reasonable prospect that other private sector measures or supervisory intervention can be taken to prevent the failure of the institution, and (iii) resolving the credit institution is necessary from a public interest perspective than winding up the institution.

The resolution tools are: (i) the sale of (a part of) the assets/liabilities or the shares of the credit institution without the consent of shareholders, (ii) the transfer of business to a temporary structure ("***bridge bank***") and (iii) the separation of clean and toxic assets and the transfer of toxic assets to an asset management vehicle and (iv) bail-in. Each decision will be subject to prior judicial control.

The fourth resolution tool, i.e. the bail-in tool, entered into force on 1 January 2016. It was implemented into Belgian law by the Royal Decree of 18 December 2015 amending the Banking Law. Bail-in is a mechanism to write down the liabilities (subordinated debt, senior debt and eligible deposits) or to convert debt into equity, as a means of restoring the institution's capital position. The bail-in tool applies to existing debt instruments as well.

The SRB/Resolution College is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution becomes non-viable, that the conditions for the exercise of the resolution conditions are fulfilled and/or that a credit institution has asked for public support.

The applicability of the resolution tools and measures to credit institutions that are part of a cross-border group are regulated by the Royal Decree of 26 December 2015 implementing the Banking Law, which entered into force on 1 January 2016.

**Bank governance**

The Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics).

The Banking Law makes a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general and risk policy, which is entrusted to the Board of Directors. According to the Banking Law, KBC Bank has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Banking Law, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the

responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013.

The NBB Governance Manual for the Banking Sector (the "**Governance Manual**") contains recommendations to assure the suitability of shareholders, management and independent control functions and the appropriate organisation of the business.

As required by the Banking Law and the Governance Manual, KBC Group has drafted a Group Internal Governance Memorandum (the "**Governance Memorandum**"), which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Governance Manual. The most recent version of the Governance Memorandum was approved on 17 December 2015 by the Board of Directors of KBC Group NV, KBC Bank and KBC Insurance NV and has been sent to the NBB.

KBC Bank also has a Corporate Governance Charter which has been published on the website www.kbc.com.

**Solvency supervision**

Capital requirements and capital adequacy ratios are provided for in the CRR, transposing the Basel III regulation into European law. CRR requires that credit institutions must comply with several minimum solvency ratios. These ratios are defined as Common Equity Tier 1, Tier 1 or Total Capital divided by risk weighted assets. The absolute minimum is a Common Equity Tier 1 ratio of 4.5%. Risk weighted assets are the sum of all assets and off-balance sheet items weighted according to the degree of credit risk inherent in them. The solvency ratios also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. On top of the capital requirements defined by the solvency ratios, the regulation imposes a capital conservation buffer and, in certain cases a systemic risk buffer and/or a countercyclical buffer.

Solvency is also limited by the leverage ratio, which compares Tier 1 capital to non-risk weighted assets.

In the context of its supervisory authority, the ECB has imposed the following capital and liquidity requirements for KBC Group: (a) an own funds requirement of an overall CRD IV fully loaded Common Equity Tier 1 capital ratio (based on the Danish compromise method as approved by NBB on 21 January 2014) of at least 10.5% and (b) a minimum LCR requirement of 100% (upon entry into force of the relevant Commission regulation) and a liquidity requirement so that the one-month NBB stress test ratio does not exceed 100% (before such entry into force). In addition, under Article 205 of the Belgian Banking Law (which implements Article 119 of CRD IV in relation to mixed financial holding companies, KBC Group is required to maintain at all times an own funds requirement of an overall fully loaded Common Equity Tier 1 capital ratio (building block method) of at least 10.5%.

The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements when capital ratios fall below certain thresholds. The pay-out is further limited by the general provisions of Belgian company law.

**Large exposure supervision**

European regulations ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25% of the total capital. European regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

**Money laundering**

Belgium has implemented Directive 2005/60/EC of the European Parliament and the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing by amending the Law of 11 January 1993 (as amended from time to time). This legislation contains a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms with the appointment of a compliance officer, and employee training requirements. When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify

an independent administrative authority, the Financial Intelligence Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The NBB has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, paragraphs 1 to 4) of the Criminal Code) and sanctions them with a jail term of a minimum of 15 days and a maximum of 5 years and/or a penalty of a minimum of EUR 26 and a maximum of EUR 100,000 (to be multiplied by 6) or, for legal entities, a fine of a minimum of EUR 500 and a maximum of EUR 200,000 (to be increased with the additional penalty or, in other words, to be multiplied by 6).

**Consolidated supervision – supplementary supervision**

KBC Bank is subject to consolidated supervision by the ECB on the basis of the consolidated financial situation of KBC Group NV, which covers, among other things, solvency as described above, pursuant to Articles 165 and following of the Banking Law. As a subsidiary of a Belgian regulated entity (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision by the ECB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of the Banking Law). The supplementary supervision relates to, among other things, solvency, risk concentration and intra-group transactions and to enhanced reporting obligations.

The consolidated supervision and the supplementary supervision will be aligned as much as possible, as described in Article 170 of the Banking Law.

**KBC Asset Management**

As from June 2005, the status of KBC Asset Management has been changed from "investment firm" to a "management company of undertakings for collective investment in transferable securities (UCITS)" (UCITS-management company). Its activities are, inter alia, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the FSMA.

The UCITS-management company regime in Belgium is governed by the "Law on certain forms of collective management of investment portfolios" of 3 August 2012 as amended from time to time (the "**Law of 3 August 2012**"). The Law of 3 August 2012 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS, as amended from time to time. The Law of 3 August 2012 regulates management companies and sets forth the conditions under which UCITS-management companies may operate in Belgium; furthermore, it defines the regulatory and supervisory powers of the FSMA.

The regulatory framework concerning supervision on UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Law of 3 August 2012 contains, inter alia, the following principles:

- certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- obligation for management companies to carry out their activities in the interests of their clients or of the UCITS they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodical basis, a detailed financial statement to the FSMA;
- supervision by the FSMA; and
- subjection to the control of Statutory Auditors.

## 14. MATERIAL CONTRACTS

KBC Bank has not entered into any material contracts outside the ordinary course of its business which could result in any member of KBC Bank Group being under an obligation or entitlement that is material to KBC Bank's ability to meet its obligations to Noteholders.

## 15. RECENT EVENTS

Information about recent events in relation to the Guarantor can be found in the following sections: "*2. The EU Plan of KBC Group*", "*3. KBC Group Strategy*", "*4. Management structure*", "*5. Short presentation of KBC Bank Group*", "*8. General description of activities of KBC Bank Group*", "*9. Principal markets and activities*", "*12. Risk management*", "*13. Banking supervision and regulation*" and "*20. Litigation*".

Detailed information is set out in KBC Group's and KBC Bank's press releases and financial reports, all of which are available on www.kbc.com. For the avoidance of doubt, the information available on the KBC website, www.kbc.com, shall not be incorporated by reference in, or form part of, this Base Prospectus, unless otherwise specified in the "Documents Incorporated By Reference" section.

## 16. TREND INFORMATION

The fear that the economic recovery in Europe and the expansion in the United States be impacted by the weak international environment has recently further dissipated. Not only sentiment indicators, but also "hard" economic data, such as the strong real Gross Domestic Product growth in the first quarter of 2016 in the Eurozone, support this somewhat optimistic view. In the Eurozone, growth in the first quarter of 2016 accelerated to +0.6%. In particular the growth rate of the German economy (+0.7%), already operating close to full capacity, caught the eye. Although this strong first quarter performance will probably not be sustainable, it can be expected that the economy in the Eurozone will perform well in 2016, driven by real wage growth (moderate nominal wage growth combined with low inflation), moderately accommodating overall fiscal policy and extremely stimulating monetary policy. The main source of fragility remains the relative weakness of investment growth.

Outside the Eurozone, growth in 2016 started relatively weak. Going forward in 2016, investment growth in the United States is expected to pick up again and net exports are expected to be less of a drag on growth. Sustained consumption growth, mainly backed by solid job creation and moderate but steady real income growth will continue to be the backbone of the economic expansion in the United States. Global export growth dynamics recovered as well, mainly in the emerging markets, which is to a large extent a reflection of recovering demand for commodities (including non-energy commodities).

In the meantime, global inflation remains subdued. In the economy in the United States, inflation has reached relatively normal levels. In the Eurozone, on the other hand, the latest core inflation rate is broadly half of the inflation target of the European Central Bank (2%). The underlying reasons include the high unemployment rate, subdued nominal wage growth, and the trade-weighted appreciation of the euro, making import prices even more negative.

KBC Bank Group's base scenario remains that the Federal Reserve System (the "**Fed**") will raise its policy rate only very moderately in both 2016 and 2017. In the meantime, the European Central Bank is likely to keep its negative deposit rate unchanged, or even lower, until well after the end of its Asset Purchase Programme (currently scheduled for March 2017). A first rise of the European Central Bank's deposit rate will probably only occur in 2018 at the earliest. As a result of this policy divergence, it is expected that the US dollar will strengthen moderately against the euro in 2016 and 2017. The Fed rate hikes, which are still not priced into the markets, are expected to lead to a moderate rise of US bond yields, which will also pull up German rates given the global integration of the main bond markets.

The single most important source of uncertainty at the moment remains the referendum on 23 June 2016 on a possible Brexit. This could well lead to a renewed increase in volatility on financial markets and weigh on economic sentiment (both of producers and consumers). This in turn may well have a negative impact on the economic recovery in the Eurozone. In the longer term, one of the main risks to global financial stability is the questionable sustainability of the rising Chinese debt levels.

## 17. MANAGEMENT OF KBC BANK NV

The Board of Directors of KBC Bank has the powers to perform everything that is necessary or useful to achieve the corporate purpose of KBC Bank, with the exception of those powers of which, pursuant to the law and its Articles of Association, solely another body is empowered to perform.

The corporate purpose of KBC Bank is set out in Article 2 of its Articles of Association. It includes the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue and all acts that contribute directly or indirectly thereto.

To the extent these laws and regulations apply to KBC Bank, KBC Bank complies with the laws and regulations of Belgium regarding corporate governance.

Pursuant to Article 24 of the Banking Law and Article 524bis of the Belgian Companies Code, the Board of Directors of KBC Bank has conferred powers on the Executive Committee to perform the acts referred to in Article 522 of the Belgian Companies Code and Article 18 of the Articles of Association of KBC Bank. However, this transfer of powers relates neither to the definition of general policy, nor to the powers which are reserved to the Board of Directors by law. The Board of Directors is responsible for the supervision of the Executive Committee. KBC Bank is not aware of any potential conflicts of interest between the duties to KBC Bank of the Members of the Board of Directors of KBC Bank detailed below and their private interests or other duties.

Members of the Board of Directors of KBC Bank are as follows:

| **Name and business address** | **Position** | **Expiry date of current term of office** | **External offices** |
|---|---|---|---|
| LEYSEN Thomas<br>Dennenlaan 9a<br>Antwerpen 2020 | Chairman | 2019 | Chairman of the Board of Directors of Umicore NV<br>Chairman of the Board of Directors of Corelio NV<br>Non-executive Director of Booischot NV<br>Chairman of the Board of Directors of KBC Verzekeringen NV<br>Chairman of the Board of Directors of KBC Group NV<br>Executive Director of Tradicore NV<br>Non-executive Director of Mediahuis NV |
| GIJSENS Lucien KBC Bank NV<br>Havenlaan 2<br>1080 Brussel | Executive Director | 2019 | Member of the Executive Committee of KBC Groep NV<br>Executive Director of KBC Verzekeringen NV<br>Chairman of the Board of Directors of K&H Biztosito Zrt<br>Non-executive Director of Ceskoslovenska Obchodna Banka a.s. (SR)<br>Member of the Board of CSOB Poist'ovna a.s.<br>Non-executive directorof K&H Bank Zrt<br>Non-executive Director of CIBANK EAD<br>Non-executive Director of KBC Bank Ireland plc.<br>Non-executive director of DZI-General Insurance JSC<br>Non-executive director of DZI Life Insurance JSC<br>Non-executive director of KBC Asset Management NV<br>Member of the Management Board of KBC Bank NV Dublin Branch<br>Non-executive director of KBC Securities NV<br>Non-executive director of KBC Start it Fund NV |
| HOLLOWS John<br><br>KBC Bank NV | Executive Director | 2017 | Executive Director of KBC Verzekeringen NV<br>Member of the Executive Committee of KBC Groep NV<br><br>CEO (non-director) of Ceskoslovenska Obchodni Banka a.s. (CR) |

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| Havenlaan 2<br>1080 Brussel | | | |
| POPELIER Luc<br>KBC Bank NV<br>Havenlaan 2<br>1080 Brussel | Executive Director | 2017 | Executive Director of KBC Verzekeringen NV<br>Executive Director of KBC Groep NV<br>Non-executive Director of KBC Credit Investments NV |
| THIJS Johan<br>KBC Bank NV<br>Havenlaan 2<br>1080 Brussel | Executive Director/CEO | 2017 | Executive Director/CEO of KBC Verzekeringen NV<br>Non-executive Director of Febelfin<br>Executive Director/CEO of KBC Groep NV<br>Non-executive Director of VOKA |
| VAN RIJSSEGHEM Christine<br>KBC Bank NV<br>Havenlaan 2<br>1080 Brussel | Executive Director | 2018 | Executive Director KBC Groep NV<br>Executive Director KBC Verzekeringen NV<br>Non-executive Director of K&H Bank Zrt<br>Non-executive Director of CIBANK EAD<br>Non-executive Director of KBC Bank Ireland Plc.<br>Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR)<br>Non-executive Director of Ceskoslovenska Obchodna Banka a.s. (SR)<br>Member of the Management Board of KBC Bank NV Dublin Branch |
| ARISS Nabil | Independent Director | 2018 | |
| DE BECKER Sonja | Non-executive Director | 2020 | Non-executive Director of Gimv-Agri+ Investment Fund<br>Non-executive Director of KBC Groep NV<br>Non-executive Director of M.R.B.B. CVBA – Maatschappij voor Roerend Bezit van de Boerenbond<br>Non-executive Director of Agri Investment Fund CVBA<br>Non-executive Director of KBC Verzekeringen NV<br>Non-executive Director of Acerta cvba<br>Non-executive Director of SBB Accountants en Belastingconsulenten BV CVBA |
| DEPICKERE Franky<br>Cera<br>Philipssite 5/10<br>3001 Leuven | Non-executive Director | 2019 | Executive Director of FWR Consult cvba<br>Executive Director of Cera cvba<br>Executive Director of Cera Beheersmaatschappij NV<br>Executive Director of BRS Microfinance Coop cvba<br>Non-executive Director of CBC BANQUE SA<br>Non-executive Director of KBC Groep NV<br>Non-executive Director of KBC Verzekeringen NV<br>Executive Director of Almancora Beheersmaatschappij NV<br>Non-executive Director of International |

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|---|---|---|---|
| | | | Raiffeisen Union e.V.<br>Non-executive Director of Ceskoslovenska Obchodni Banka a.s. (CR)<br>Member of the management of KBC Ancora commanditaire vennootschap op aandelen |
| DISCRY Luc<br>Cera<br>Philipssite 5 B 10<br>3001 Leuven | Non-executive Director | 2018 | Non-executive Director of KBC Verzekeringen NV<br>Non-executive Director of KBC Groep NV<br>Non-executive Director of Precura Verzekeringen NV<br>Executive Director of Cera Beheersmaatschappij NV<br>Executive Director of Cera cvba |
| MRBB<br>Diestsevest 40<br>3000 Leuven | | | Non-executive Director of KBC Groep NV<br>Non-executive Director of KBC Verzekeringen NV<br>Non-executive director Wit-Gele Kruis Vlaanderen<br>Executive director Lukoban bvba |
| WITTEMANS Marc<br>MRBB cvba<br>Diestsevest 40<br>3000 Leuven | Non-executive Director | 2018 | Non-executive Director of KBC Groep NV<br>Non-executive Director of Arda Immo NV<br>Non-executive Director of Acerta cvba<br>Non-executive Director of Acerta Consult cvba<br>Non-executive Director of SBB Accountants en Belastingconsulenten cvba<br>Executive Director of M.R.B.B. cvba - Maatschappij voor Roerend Bezit van de Boerenbond<br>Non-executive Director of Aktiefinvest cvba<br>Non-executive Director of KBC Verzekeringen NV<br>Non-executive Director Acerta Public NV<br>Non-executive Director of Shéhérazade Développement cvba<br>Non-exécutive Director of SBB Bedrijfsdiensten cvba |
| FALQUE Daniel<br>Bovenbosstraat 78<br>3053 Haasrode<br>Belgium | Executive Director | 2020 | Non-executive Director of CBC Banque SA<br>Executive Director of KBC Verzekeringen NV<br>Member of the Executive Committee of KBC Group NV<br>Non-executive Director of Union Wallonne des Entreprises asbl |
| MORLION Lode<br>Weststraat 18<br>8647 Lo-Reninge<br>Belgium | Non-executive Director | 2020 | Non-executive Director of Financieringsvereniging Gaselwest Figga<br>Non-executive Director of Cera Beheersmaatschappij NV<br>Non-executive Director of Woonmaatschappij Ijzer en Zee bv cvba<br>Non-executive Director of KBC Verzekeringen NV |

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|---|---|---|---|
| | | | Non-executive Director of KBC Group NV<br>Executive Director of M&D Invest NV |
| VAN KERCKHOVE Ghislaine<br>Wegvoeringstraat 62<br>9230 Wetteren | Non-executive Director | 2020 | Non-executive Director of KBC Groep NV<br>Non-executive Director of KBC Verzekeringen NV |
| MAGNUSSON Bo | Independent Director | 2020 | Non-executive Director of Carnegie Holding AB<br>Non-executive Director of Carnegie Investment Bank AB<br>Non-executive Director of SBAB AB<br>Non-executive Director of Sveriges Sakerstallda obligationer<br>Non-executive Director of Norrpoten AB<br>Non-executive Director of Fastighetsaktiebolaget Norrporten AB<br>Non-executive Director of Bmag AB |

## 18. MEMBERS OF AUDIT COMMITTEE

The Audit Committee has been set up by the Board of Directors and has – with some limited legal exceptions – an advisory role. The Audit Committee, among other things, supervises the integrity and effectiveness of the internal control measures and the risk management in place, paying special attention to correct financial reporting.

The powers and composition of the Audit Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank which is published on www.kbc.com.

The members of the Audit Committee of KBC Bank are also members of its Board of Directors and are:

- Nabil Ariss;
- Bo Magnusson;
- Marc Wittemans.

## 19. MEMBERS OF THE RISK AND COMPLIANCE COMMITTEE

The Compliance and Risk Committee has been set up by the Board of Directors and has an advisory role. The Compliance and Risk Committee, among other things, provides advice to the Board of Directors about the current and future risk tolerance and risk strategy.

The powers and composition of the Compliance and Risk Committee, as well as its way of functioning, are extensively dealt with in the Corporate Governance Charter of KBC Bank.

The members of the Compliance and Risk Committee of KBC Bank are also members of its Board of Directors and are:

- Nabil Ariss;
- Franky Depickere;
- Bo Magnusson.

## 20. STATUTORY AUDITORS

Until 27 April 2016, the auditor of KBC Bank was Ernst & Young Bedrijfsrevisoren BCVBA (*erkend revisor/réviseur agréé*), represented by C. Weymeersch, with offices at De Kleetlaan 2, B-1831 Diegem, Brussels ("**Ernst & Young**"). The financial statements of the Guarantor have been audited in accordance with ISA by Ernst & Young for the year ending 31 December 2014 and as of and for the year ending 31 December 2015 and resulted, in each case, in an unqualified opinion. During the relevant period, Ernst & Young had no material interest in the Issuer.

On 27 April 2016, PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkend revisor/réviseur agréé*), represented by R. Jeanquart and G. Joos, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium ("**PwC**"), has been appointed as auditor of KBC Bank for the financial years 2016-2018. PwC has no material interest in the Issuer.

Both Ernst & Young and PwC are members of the Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises.

The reports of Ernst & Young of the Issuer are incorporated by reference in the form and context in which they are incorporated by reference, with the consent of the auditors.

## 21. LITIGATION

This section concerns material litigation to which KBC Bank or any of its companies (or certain individuals in their capacity as current or former employees or officers of KBC Bank or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for the company, the members of the board or the management.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, the management does not believe that the liabilities arising from these claims will adversely affect KBC Bank's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

**Judicial inquiries and criminal proceedings**

(i) From late 1995 until early 1997, Kredietbank NV the predecessor of KBC Bank NV and KB Consult NV ("**KB Consult**") were involved in the sale of "cash companies" to various purchasers. A "cash company" is characterised by the fact that a substantial majority of the assets consist of accounts receivable, fixed financial assets, cash and other highly liquid assets. KB Consult acted as an intermediary between the seller and the purchaser of the cash companies. The involvement of KBC Bank differed from sale to sale, but generally related to the handling of payments and the granting of loans. The transfer of a cash company is in principle a legal transaction. However, in March 1997, KBC Bank and KB Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and to file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KBC Bank and KB Consult immediately took the necessary measures to preclude any further involvement with these parties. The activities of KB Consult were subsequently wound up.

KBC Bank and KB Consult were summoned separately or jointly to court in 28 legal actions. This resulted in 20 lawsuits of which 17 are still pending before the courts. In one lawsuit the court ruled that KB Consult was summoned as third party without cause and therefore the claim was dismissed. In two lawsuits, of which one lawsuit is in degree of appeal, the claims of the Belgian State were dismissed and the judgments are definite. Subsequently, the provision for these cases was offset in the accounts. KB Consult was placed under suspicion by an investigating magistrate in December 2004. A provision of EUR 28.4 million (status as at 31 March 2016) has been constituted to cover the potential impact of any liability with respect to these actions.

In addition to KB Consult and KBC Bank, KBC Group was also summoned before the Chambers section of the Court of First Instance in Bruges on 25 February 2009. The charges against the aforesaid KBC entities only relate to the use of false documents. The trial was postponed several times. On 9 November 2011 a judgment ordered KBC Bank and KB Consult to be prosecuted together with 21 other parties indicted of various crimes with regard to tax fraud. The claim against KBC Group was

dismissed. An appeal was lodged against this dismissal by the Prosecutor and two civil parties. On 27 October 2015 the court decided that the prosecution was barred by limitation and ordered the dismissal of the prosecution of KBC Group together with other parties.

KBC Bank and KB Consult, which did not appeal the court order of 9 November 2011, were summoned before the Court of First Instance in Bruges on 16 December 2015. The case was postponed several times and has been scheduled for a hearing on 25 May 2016.

(ii) In 2003, an important case of fraud perpetrated by an employee, Atilla Kulcsár, involving about EUR 140.6 million, came to light at K&H Equities in Hungary. Orders and portfolio statements of clients were forged. Many clients suffered substantial losses in their portfolio as a result of unauthorised speculation and the misappropriation of funds. On 28 August 2008 a Budapest court sentenced Atilla Kulcsár to eight years imprisonment and a fine of 230 million forints. The court acquitted Tibor E. Rejto, former CEO of K&H Bank, who had also been charged with embezzlement as an accomplice. Other persons involved were sentenced to severe punishments.

The Public Prosecutor and all the persons who had been found guilty filed an appeal before the Court of Appeal. On 27 May 2010, the Court of Appeal annulled the first instance court verdict and ordered a complete retrial. The new trial before the first instance court started on 1 December 2010 and several hearings took place. A decision was rendered on 29 December 2015. Atilla Kulcsár was sentenced to six and a half years in prison and Tibor E. Rejto was fully acquitted of all charges. The prosecutor appealed against this decision.

All claims have been settled, either amicably or following an arbitral decision.

***Other litigation***

(i) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, currently KBC Real Estate, a Belgian subsidiary of KBC Bank, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation is pending. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

The civil lawsuit pending in Brussels has been suspended pending a final judgment in the tax lawsuit in Antwerp. An adjusted provision of EUR 31 million (at 31 March 2016) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was declared bankrupt by the court of 's-Hertogenbosch in the Netherlands.

In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008 Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

On 2 November 2010 Broeckdal Vastgoedmaatschappij was declared dissolved by the commercial court in Antwerp and the liquidation of the company was closed by judgment of 13 September 2011 by the same court.

(ii) KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have now been downgraded. Such clients have been asking for their notes to be bought back at their original value.

KBC Bank decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium settlements were reached with clients in KBC Bank Private Banking and Retail Banking. As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are on-going. In ten cases the courts rendered judgments in favour of KBC. In one case, the court decided that the bank and the client were jointly responsible. KBC Bank appealed against this decision in June 2013. In one case the court of appeal in Brussels ruled on 11 July 2014 in favour of KBC Group and condemned the plaintiff for frivolous actions. In another case the court of appeal in Antwerp rendered on 5 February 2015 a judgment entirely in favour of KBC Bank. On 24 November 2015 the court of appeal in Brussels rendered a judgement entirely in favour of KBC Bank. Three cases are currently pending in degree of appeal. In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court; a few remaining court cases were lost and settled. All court proceedings are now finished.

On 10 December 2009, the Hungarian Competition Authority ("**HCA**") passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H's trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court which approved in May 2012 the second level decision.

In ČSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients, settlements were reached. No lawsuit in respect of CDO investments is pending.

(iii) Lazare Kaplan International Inc. is a U.S. based diamond company ("**LKI**"). Lazare Kaplan Belgium NV is LKI's Belgian affiliate ("**LKB**"). LKI and LKB together are hereinafter referred to as "**LK**".

***Fact summary***

Since 2008, LKB has been involved in a serious dispute with its former business partners, DD Manufacturing NV and KT Collection BVBA ("**Daleyot**"), Antwerp based diamond companies belonging to Mr. Erez Daleyot. This dispute relates to a joint venture LK and Daleyot set up in Dubai (called "**Gulfdiam**").

LKB and Daleyot became entangled in a complex litigation in Belgium, each claiming that the other party is their debtor. Daleyot initiated proceedings before the Commercial Court of Antwerp claiming the non-payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched a counter claim claiming the non-payment of commercial invoices for (initially) an amount of approximately USD 38 million.

The dispute has escalated to the degree that LK is directly involving Antwerpse Diamantbank NV ("**ADB**") and KBC Bank by launching legal claims against ADB in Belgium (Antwerp) and against both ADB and KBC in the USA (New York) alleging that LK was swindled out of some USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB. This development was triggered by the fact that, at the end of 2009, ADB terminated LK's credit facilities and started proceedings before the Commercial Court in Antwerp.

Essentially, all legal proceedings initiated by LK against ADB and/or KBC Bank in Belgium and the USA only relate to the dispute between ADB and LKI with regard to the termination of the credit facility and the recovery of all the monies LKI owes under the terminated credit facility.

The merger between KBC Bank and ADB by absorption of the latter that took place on 1 July 2015 entails that KBC, whether in its own name or in its capacity as legal successor to ADB, remains the only counterparty in all proceedings against Lazare Kaplan. However, for the sake of clarity further reference is made to ADB on the one hand and KBC on the other hand since all proceedings were initiated before the merger.

***Legal Proceedings***

(A) Belgian proceedings (overview per court entity)

*Commercial Court of Antwerp*

Proceedings were initiated by ADB against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in capital). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim of USD 500 million (including the USD 350 million of LKB) against ADB. LK appealed against the latest decision of the Commercial Court. A hearing before the Court of Appeals is set for 26 September 2016 and until a judgement on appeal regarding the briefing round the proceedings before the commercial court are stayed.

*Commercial Court of Antwerp*

LK filed four separate winding-up petitions against certain Daleyot entities. LK also involved both ADB and ABN Amro in this proceeding in order to have the court declare the decision to be taken opposable vis-à-vis ADB and ABN. On 23 June 2015, the court decided that the proceedings against DDM Holding, K.T. Collection & Kertalor Holding became meaningless given the commencement of the voluntary liquidation proceedings of the Daleyot related entities. By decision of 15 September 2015, the Commercial Court of Antwerp declared K.T. Collection bankrupt.

On 26 May 2015, the proceedings against DD Manufacturing were postponed *sine die*. On 5 November 2015, DD Manufacturing was declared bankrupt. DD Manufacturing appealed this decision, but on 18 February 2016, the Court of Appeals dismissed the appeal.

*Commercial Court of Antwerp*

LK launched proceedings against ADB and certain Daleyot entities. This claim is aimed at having certain transactions of the Daleyot entities declared null and void or at least not opposable against LK.

LK also filed a damage claim against ADB for a provisional amount of USD 60 million based on the alleged third party complicity of ADB. This case is still pending.

*Commercial Court of Antwerp*

Lazare Kaplan filed a proceeding against ADB and KBC claiming an amount of approximately 77 million USD, based on the alleged misbehavior of the banks regarding the granting and maintaining of the credit facilities to the Daleyot entities. In its last court brief Lazare Kaplan claims an additional amount of approximately 5 million USD. A court hearing will take place on 11 October 2016.

*President of the Commercial Court of Antwerp*

LKB launched proceedings against ADB, DD Manufacturing, KT Collection and Erez Daleyot before the President of the Commercial Court of Antwerp. LKB applies to the court for, among other, a sequestration relating to paintings which are pledged by Erez Daleyot in favour of ADB concerning the DD Manufacturing and KT collection credit files. LKB also requested the court to impose penalty payments for an amount of EUR 50,000. By decision dated 7 July 2015, the Commercial Court referred the case to the Court of First Instance of Antwerp since the Commercial Court lacks jurisdiction over Lazare Kaplan's claim.

*Court of First Instance of Antwerp (Judge of Seizures)*

By decision of 21 January 2014, ADB obtained permission from the Antwerp Judge of Seizures to have LKI's claim against Trau Bros, as purchaser of the LK Botswana entity, put under garnishment. LKI has filed a petition with the Judge of Seizures against the garnishment. By decision of 8 June 2015, LKI's petition was dismissed.

*Court of First Instance of Antwerp (Judge of Seizures)*

Proceeding initiated by LKB which is aimed at declaring ADB a debtor of LKB with respect to the alleged claim LKB has against D.D. Manufacturing for a provisional amount of 21 million EUR. This claim is based on the alleged untimely and improper declaration made by ADB with regard to the third party seizure against D.D. Manufacturing at the request of LKB. By decision of 23 June 2015 LKB's claim was dismissed.

*Court of First Instance of Antwerp*

Proceedings launched by LK against KBC, ADB and Erez Daleyot, his wife and certain Daleyot entities. This claim is aiming at having the security interests granted in favor of either KBC or ADB declared null and void or at least not opposable against LK. By decision dated 7 July 2015, the Commercial Court referred the case to the Court of First Instance of Antwerp, since the Commercial Court decided it does not have juridisdiction to decide over Lazare Kaplan's claim. LK also filed a claim against ADB for a provisional amount of USD 120 million and against ADB en KBC together for a provisional amount of USD 60 million based on the alleged third party complicity of ADB. Although a court hearing was set for 3 March 2016, LKI requested the Court for another briefing round given the fact that DD Manufacturing is bankrupted. The Court allowed this request and set a new court hearing for 22 December 2016.

*Court of Cassation*

LKI summoned ADB directly before the Criminal Court in Antwerp mainly under accusation of fraud, abuse of trust and money laundering.

Both Criminal Court and Court of Appeals already decided that they have no jurisdiction over LKI's claim. LKI filed an appeal with the Court of Cassation. By decision of 28 April 2015 the Court dismissed LKI's appeal.

*Court of Cassation*

Criminal complaint of LKI against ADB with the investigation magistrate of Antwerp on the basis of alleged bribery of ADB officers / directors by Daleyot.

The Chamber of Accusation declared the criminal complaint as inadmissible. LKI filed an appeal with the Court of Cassation. By decision of 28 April 2015 the Court dismissed LKI's appeal.

(B) US proceedings

Claim of USD 500 million initiated by LKI against both ADB and KBC Bank, based on the so-called RICO-act; this claim is in fact a non- cumulative duplicate of the one brought before the Commercial Court in Belgium. After the District Court granted ADB's and KBC Bank's motions to dismiss, the Court of appeals referred the case back to the District Court because the first decision of the District Court was not legally well-founded. Later on, the District Court ruled that reciprocal discovery is appropriate.

LKI also requested the court to impose an obligation on ADB to produce certain non-privileged documents. A court hearing took place on 5 May 2015. During this hearing LKI repeated its deposition request addressed to several ADB officers and lawyers. By decision of 31 July 2015, the Court allowed some depositions in advance of a hearing on the forum selection clauses. All depositions took place. By letter dated 22 February 2016, LKI requested the District Court a pre-motion conference to discuss a motion for sanctions against KBC Bank. LKI claimed that the sworn declarations made by some of KBC Bank's employees to the District Court were false and misleading. Moreover, LKI alleged that KBC Bank concealed documents from the court.

LKI seeked a court order sanctioning KBC Bank by (i) holding that the Court has jurisdiction over the RICO-claim; (ii) directing parties to proceed immediately with the merits discovery and (iii) awarding Lazare its reasonable costs, attorney fees and expenses. KBC Bank strongly disputed these new allegations. On 4 March 2016, the court decided to deny Lazare Kaplan's

requests for a pre-motion conference and to file a motion for sanctions against KBC Bank. The court directed the parties to file a joint status report by 1 April 2016.

On 1 April 2016 and as instructed by the Court, the parties filed a joint status report regarding the status of any depositions or open discovery, and any other issues to be resolved prior to the scheduling of the New Moon hearing (i.e. an evidentiary hearing on the question whether the Court has territorial jurisdiction over LKI's claim). Parties are waiting for a court decision regarding the joint status report.

(iv) On 6 October 2011, Irving H. Picard, trustee for the substantively consolidated SIPA (Securities Investor Protection Corporation Act) liquidation of Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff, sued KBC Investments Ltd before the bankruptcy court in New York to recover approximately USD 110 million worth of transfers made to KBC entities. The basis for this claim were the subsequent transfers that KBC had received from Harley International, a Madoff feeder fund established under the laws of the Cayman Islands. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors. In addition to the issues addressed by the district court, briefings were held on the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees (as is the case for KBC). KBC, together with numerous other defendants, filed motions for dismissal. District court Judge Jed Rakoff has made several intermediate rulings in this matter, the most important of which are the rulings on extraterritoriality and good faith defences. On 27 April 2014, Judge Rakoff issued an opinion and order regarding the 'good faith' standard and pleading burden to be applied in the Picard/SIPA proceeding based on sections 548(b) and 559(b) of the Bankruptcy Code. As such, the burden of proof that lies on Picard/SIPA is that KBC should have been aware of the fraud perpetrated by Madoff. On 7 July 2014, Judge Rakoff ruled that Picard/SIPA's reliance on section 550(a) does not allow for the recovery of subsequent transfers received abroad by a foreign transferee from a foreign transferor (as is the case for KBC Investments Ltd.). Therefore, the trustee's recovery claims have been dismissed to the extent that they seek to recover purely foreign transfers. In June 2015, the trustee filed a petition against KBC to overturn the ruling that the claim fails on extraterritoriality grounds. In this petition, the trustee also amended the original claim including the sum sought. The amount has now been increased to USD 196 million.

(v) In the spring of 2008, KBC issued two bonds, KBC IFIMA S.A. 5-5-5 and KBC Group NV 5-5-5 (totalling EUR 0.66 billion). These structured bonds had a term of five years, a gross coupon of 5%, and were linked until their maturity to the public debt of five countries (Belgium, France, Spain, Italy and Greece). They allowed for early redemption of the residual value as soon as a credit event occurred with respect to one of these countries. When the 5-5-5 bonds were launched, the sovereign risks were generally regarded as very low. However, the unexpected, far-reaching changes in market conditions early in 2010 (the Greek crisis) changed the original risk profile of these bonds. At the start of 2011, KBC pro-actively decided to offer additional security to holders of 5-5-5 bonds and informed them of this in writing: if a credit event occurred, investors would still receive the amount they had invested, less the coupons already received and less taxes and charges. On 9 March 2012, a credit event actually occurred in Greece, and KBC honoured the promise it made. On 8 October 2012, a number of parties who had subscribed to the 5-5-5 bonds issued by KBC Group NV and by the Issuer initiated proceedings before the Brussels Court of First Instance, as they were not satisfied with the proposed settlement. In the case involving the KBC Group NV issue, the court handed down a judgment on 20 January 2016, in favour of one of the plaintiffs. The Guarantor and KBC Group NV have examined the judgment in detail and are of the view that there is sufficient ground for appealing the case, and have therefore decided to file a petition to that effect.

# TAXATION

*This section sets out a summary of certain taxation considerations relating to the Notes.*

*Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequence of purchasing, holding or selling the Notes under the tax laws of the country of which they are resident, including, without limitation, the consequences of receipt of Interest Amounts and premium, if any, on and sale or redemption of, the Notes or any Interest Amounts therein. The discussions that follow do not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase, hold or sell Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to a purchaser of the Notes. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of this Base Prospectus. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.*

## Belgium

*The following summary describes the principal Belgian tax considerations with respect to the holding of Notes. This information is of a general nature and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Notes. In some cases, different rules can be applicable. This summary does not describe the tax consequences for a holder of Notes that are redeemable in exchange for, or convertible into assets, of the exercise, settlement or redemption of such Notes or any tax consequences after the moment of exercise, settlement or redemption. Furthermore, the tax rules can be amended in the future, possibly implemented with retroactive effect, and the interpretation of the tax rules may change.*

*Each prospective holder of Notes should consult a professional adviser with respect to the tax consequences of an investment in the Notes, taking into account the influence of each regional, local or national law.*

### Withholding Tax and Income Tax

***Tax rules applicable to natural persons resident in Belgium***

Belgian natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (*"Personenbelasting"/"Impôt des personnes physiques"*) and who hold the Notes as a private investment, are in Belgium subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as "interest": (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as "fixed income securities" (in the meaning of article 2, §1, 8° of the Belgian Income Tax Code), in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks (*'kasbon'/'bon de caisse'*) and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

Payments of Interest Amounts on the Notes made through a paying agent in Belgium will in principle be subject to a 27 per cent. withholding tax in Belgium (calculated on the Interest Amount received after deduction of any non-Belgian withholding taxes). The Belgian withholding tax constitutes the final income tax for Belgian resident individuals. This means that they do not have to declare the Interest Amounts obtained on the Notes in their personal income tax return, provided withholding tax was levied on these interest payments. They may nevertheless elect to declare Interest Amounts in respect of the Notes in their personal income tax return.

If the Interest Amounts are paid outside Belgium without the intervention of a Belgian paying agent, the Interest Amounts received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return.

Interest income which is declared in the annual personal income tax return will in principle be taxed at a flat rate of 27 per cent. (or at the progressive personal tax rate taking into account the taxpayer's other declared income, whichever is more beneficial). If the interest payment is declared, any withholding tax retained may be credited.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one's private estate or unless and to the extent the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

The Belgian Law of 26 December 2015 has introduced a so-called "speculation tax" ("*Taxe de spéculation" / "Speculatiebelasting*") from 1 January 2016 (Article 90, 13° of the Belgian Income Tax Code). This speculation tax applies on capital gains realized by Belgian resident individuals on listed Notes which are held for less than six months and by which the Noteholders invest in the evolution of the value of underlying assets, provided that these underlying assets exclusively consist of one or several listed shares.

The six months holding period is calculated by applying a "Last In First Out" method. The tax rate is 33% (not increased by communal surcharges). The speculation tax is levied through a withholding tax due by an intermediary who intervenes in the transaction in Belgium. This withholding tax releases the taxpayer from reporting in his tax return. If no intermediary intervenes in Belgium, the speculation gain has to be reported in the tax return. The taxable base is equal to the difference between the sales price, reduced with the Belgian tax on stock exchange transactions (see "Tax on stock exchange transactions and tax on repurchase transactions") borne by the taxpayer on the sale, and the acquisition price increased with the Belgian tax on stock exchange transactions borne by the taxpayer on the acquisition. If this price is unknown, the withholding tax is due on the sales price (less the Belgian tax on stock exchange transactions) and any excess would have to be reclaimed through the tax return.

Capital losses are generally not tax deductible.

Belgian resident individuals will be subject to the provisions of the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income (the "**Savings Directive**"), if they receive any profit derived from the Notes from a paying agent (within the meaning of the Savings Directive) established in Austria until the end of the transitional period or the implementation of the rules provided for in Council Directive 2011/16/EU on administrative cooperation in the field of taxation, as amended by Council Directive 2014/107/EU or certain third countries or dependent or associated territories of certain Member States. If the profit received by a Belgian resident individual has been subject to any withholding tax permitted under the Savings Directive during said transitional period, such withholding does not liberate the Belgian resident individual from reporting this profit (including the foreign withholding tax) in his individual Belgian tax return. Such foreign withholding tax can be credited against the Belgian personal income tax and any excess amount (of at least € 2.5) will be reimbursed.

### *Belgian resident companies*

Corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian Corporate Income Tax (*"Vennootschapsbelasting"/"Impôt des sociétés"*) are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes and capital gains realised on the Notes will be subject to Belgian corporate income tax of 33.99 per cent. Capital losses are in principle deductible.

Interest payments on the Notes (except Zero Coupon Notes and other Notes which provide for the capitalisation of interest) made through a paying agent in Belgium can under certain circumstances be exempt from withholding tax, provided a special certificate is delivered. The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

### *Belgian legal entities*

Legal entities Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian tax on legal entities (*"Rechtspersonenbelasting"/"Impôt des personnes morales"*) are in Belgium subject to the following tax treatment with respect to the Notes.

In accordance with Belgian tax law, the following amounts are qualified and taxable as "interest": (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as "fixed income securities" (in the meaning of article 2, §1, 8° Belgian Income

Tax Code), in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks (*'kasbon' / 'bon de caisse'*) and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

Payments of Interest Amounts on the Notes made through a paying agent in Belgium will in principle be subject to a 27 per cent. withholding tax in Belgium and no further tax on legal entities will be due on the Interest Amounts.

However, if the Interest Amounts are paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is required to declare and pay the 27 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless and to the extent the capital gain qualifies as interest (as defined in the section "Tax rules applicable to individuals resident in Belgium"). Capital losses are in principle not tax deductible.

***Organisation for Financing Pensions***

Belgian pension fund entities that have the form of an Organisation for Financing Pensions (OFP) are subject to Belgian Corporate Income Tax *("Vennootschapsbelasting"/"Impôt des sociétés"*). OFPs are in Belgium subject to the following tax treatment with respect to the Notes.

Interest Amounts derived by OFP Noteholders on the Notes and capital gains realised on the Notes will be exempt from Belgian Corporate Income Tax. Capital losses are in principle not tax deductible.

The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

***Belgian non-residents***

The interest income on the Notes paid through a professional intermediary in Belgium will, in principle, be subject to a 27 per cent. withholding tax, unless the Noteholder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors can also obtain an exemption of Belgian withholding tax on Interest Amounts from the Notes if they are the owners or *usufructors* of the Notes and they deliver an affidavit confirming that they have not allocated the Notes to business activities in Belgium and that they are non-residents, provided that (i) the Interest Amounts are paid through a Belgian credit institution, stock market company or clearing or settlement institution and that (ii) the Notes are not used by the Issuer for carrying on a business in Belgium.

The non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are subject to the same tax rules as the Belgian resident companies (see above). Non-resident Noteholders who do not allocate the Notes to a professional activity in Belgium are not subject to Belgian income tax, save, as the case may be, in the form of withholding tax.

As described above, the Belgian Law of 26 December 2015 has recently introduce a so-called "speculation tax" which may apply on capital gains realized by Belgian resident individuals on listed Notes which are held for less than six months and by which the Noteholders invest in the evolution of the value of underlying assets, provided that these underlying assets exclusively consist of one or several listed shares (see "Tax rules applicable to individuals resident in Belgium"). Said Belgian speculation tax would also be applicable to capital gains on such Notes, provided that these capital gains are obtained or received in Belgium by non-resident individuals who are not entitled to claim the benefits of a double tax treaty concluded by Belgium which grants the right to tax such gains to the jurisdiction of the alienating shareholder (and not to Belgium).

Pursuant to the law of 16 December 2015 implementing into Belgian national law the provisions of the Directive 2014/107/EU on administrative cooperation in direct taxation (see the section "Common Reporting Standard – Exchange of information" below), Belgian financial institutions are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to

the account. Reportable accounts include accounts held by individuals and entities with fiscal residence in another EU Member State.

In addition to the aforementioned Belgian withholding tax of 27 per cent., interest amounts and gross proceeds derived from the Notes may therefore be subject to a system of automatic exchange of information between the relevant tax authorities.

### Tax on stock exchange transactions and tax on repurchase transactions

A *taxe sur les opérations de bourse* (tax on stock exchange transactions) will be levied on the purchase and sale in Belgium of the Notes on the secondary market through a professional intermediary. The tax is generally due at a rate 0.09 per cent. for transactions in debt instruments and at a rate of 0.27 per cent. for transactions in other securities, with a maximum amount per transaction and per party of EUR 650 for debt instruments and EUR 800 for other securities. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A *taxe sur les reports* (tax on repurchase transactions) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount per transaction and per party of EUR 650 for debt instruments and EUR 800 for other securities).

However none of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the *Code des droits et taxes divers* (Code of various duties and taxes) for the *taxe sur les opérations de bourse* and Article 139, second paragraph, of the same code for the *taxe sur les reports*.

As stated below, the EU Commission has published on 14 February 2013 a proposal for a Directive (the "**Draft Directive**") on a financial transactions tax ("**FTT**"). This Draft Directive currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive is still subject to negotiation between the participating Member States and therefore may be changed at any time. The Draft Directive is further described below (see the section entitled "*The proposed financial transactions tax ("**FTT**")*").

### Gift, estate or inheritance tax

Except for the gift tax payable in the case of a gift by deed made in Belgium, no gift, estate or inheritance tax is due in Belgium in respect of Notes, unless a Noteholder is resident in Belgium at the time of his death.

## United Kingdom

*The comments below are of a general nature based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs published practice (which may not be binding on HM Revenue & Customs), both of which are subject to change (possibly with retrospective effect), and are not intended to be exhaustive. They assume that neither Interest Amounts on the Notes nor payments in respect of the Guarantee have a United Kingdom source and, in particular, that neither the Issuer nor the Guarantor is United Kingdom resident or acts through a permanent establishment in the United Kingdom in relation to the Notes. Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.*

### Interest on the Notes

Payments of Interest Amounts on the Notes by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

### Payments in respect of the Guarantee

Any payments in respect of the Guarantee may be made without withholding or deduction for or on account of United Kingdom income tax.

## Luxembourg

*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. Prospective investors in the Notes 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.*

**Withholding Tax**

Under Luxembourg tax law currently in effect and subject to the exception below, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest).

In accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Council Directive 2003/48/EC on the taxation of savings income as from 1 January 2015. Payments of interest by Luxembourg paying agents to non-resident individual Noteholders and to certain residual entities are thus no longer subject to any Luxembourg withholding tax.

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg individual residents and to certain residual entities securing interest payments on behalf of Luxembourg individual residents are subject to a 10 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

**Income Taxation on Principal, Interest, Gains on Sales or Redemption**

***Luxembourg tax residency of the Noteholders***

Noteholders will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Notes.

***Taxation of Luxembourg non-residents***

Noteholders who are non-residents of Luxembourg and who do not have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realised upon disposal or repayment of the Notes.

***Taxation of Luxembourg residents***

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

Interest received by an individual resident in Luxembourg is, in principle, reportable and taxable at the progressive rate unless the interest has been subject to withholding tax (see above "*Withholding Tax*") or to the self-applied tax, if applicable. Indeed, in accordance with the Luxembourg law of 23 December 2005, as amended, Luxembourg resident individuals, acting in the framework of their private wealth, can opt to self-declare and pay a 10 per cent. tax on interest payments made after 31 December 2007 by paying agents located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a State or certain dependent or associated territories of EU Member States.

The withholding tax or self-applied tax are the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth. Individual Luxembourg resident Noteholders receiving the interest as business income must include this interest in their taxable basis. If applicable, the 10 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 10 per cent. withholding tax or the self-applied tax, if

applicable. Individual Luxembourg resident Noteholders receiving the interest as business income must include the portion of the price corresponding to this interest in their taxable income. The 10 per cent. Luxembourg withholding tax levied will be credited against their final income tax liability.

Luxembourg resident corporate Noteholders, or non-resident Noteholders which have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, must for income tax purposes include in their taxable income any interest (including accrued but unpaid interest) as well as the difference between the sale or redemption price and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident corporate Noteholders which are companies benefiting from a special tax regime (such as family wealth management companies subject to the law of 11 May 2007, undertakings for collective investment subject to the law of 17 December 2010 or specialised investment funds subject to the law of 13 February 2007) are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the annual subscription tax calculated on their (paid up) share capital (and share premium) or net asset value.

**Net Wealth tax**

Luxembourg net wealth tax will not be levied on the Notes held by a corporate Noteholder, unless (a) such Noteholder is a Luxembourg resident other than a Noteholder governed by (i) the laws of 17 December 2010 and 13 February 2007 on undertakings for collective investment; (ii) the law of 22 March 2004 on securitisation; (iii) the law of 15 June 2004 on the investment company in risk capital; or (iv) the law of 11 May 2007 on family estate management companies, or (b) the Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

**Other taxes**

No stamp, registration, transfer or similar taxes or duties will be payable in Luxembourg by Noteholders in connection with the issue of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Notes, unless the documents relating to the Notes are voluntarily registered in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Noteholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Notes. No Luxembourg gift tax is levied upon a gift or donation of the Notes, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

## The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and the Slovak Republic. In December 2015 Estonia withdrew from the group of states willing to introduce the FTT (the "**Participating Member States**"). The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

The proposed FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## Common Reporting Standard – Exchange of information

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within their jurisdiction to (or secured by such person for the benefit of) an individual resident in that other EU Member State or to (or secured by such person for the benefit of) certain limited types of entities established in that other EU Member State. However, for a transitional period, Austria instead (unless during that period it elects otherwise) operates 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), subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld.

A number of non-EU countries (including Switzerland), and certain dependent or associated territories of certain EU Member States have adopted similar measures to the Savings Directive (either provision of information or a withholding system; a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in an EU Member State. In addition, the EU Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in an EU Member State to, or collected by such a person for, an individual resident in one of those territories.

As from 1 January 2016, the exchange of information is, in a significant number of countries already governed by the Common Reporting Standard ("**CRS**"). On 29 October 2014, 51[1] jurisdictions signed the multilateral competent authority agreement ("**MCAA**"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 50 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 ("**early adopters**"). More than 40 jurisdictions have committed to exchange information as from 2018.

Under CRS, financial institutions resident in a CRS country will be required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("**DAC2**"), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU. DAC2 requires EU member states to establish an automatic exchange of information effective as from 1 January 2016 (and in the case of Austria as from 1 January 2017).

On 10 November 2015, the Council of the European Union adopted a Directive which repealed the EU Savings Directive with effect from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). This is to prevent overlap between the EU Savings Directive and the new automatic exchange of information regime provided under DAC2.

[1] Albania, Anguilla, Argentina, Aruba, Austria, Belgium, Bermuda, British Virgin Islands, Cayman Islands, Colombia, Croatia, Curaçao, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turks & Caicos Islands, United Kingdom.

On 27 May 2015, Switzerland signed an agreement with the European Union in order to implement, as from 1 January 2017, an automatic exchange of financial information based on the CRS. This new agreement will replace the agreement on the taxation of savings that entered into force in 2005.

Investors who are in any doubt as to their position should consult their professional advisers.

## U.S. Withholding on Dividend Equivalent Payments

A "dividend equivalent" payment is treated as a dividend from sources within the United States. Unless reduced by an applicable tax treaty with the United States it will generally be subject to U.S. withholding tax. A "dividend equivalent" payment is defined under the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") as (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" (a "**specified NPC**") that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the U.S. Internal Revenue Service (the "**IRS**") to be substantially similar to a payment described in the preceding clauses (i) and (ii).

Final U.S. Treasury regulations expand the definition of dividend equivalent payment to include any payment that references the payment of a dividend from an underlying security pursuant to a specified equity-linked instrument (a "**specified ELI**"), and any other substantially similar payment. An underlying security is any interest in an entity if a payment with respect to that interest could give rise to a U.S. source dividend pursuant to U.S. Treasury regulations Section 1.861-3. An equity-linked instrument ("**ELI**") is a financial instrument (other than a securities lending or sale-repurchase transaction or an notional principal contract ("**NPC**")) that references the value of one or more underlying securities, including a futures contract, forward contract, option, debt instrument, or other contractual arrangement. A "Section 871(m) transaction" is any securities lending or sale-repurchase transaction, specified NPC, or specified ELI.

For payments made before 1 January 2017, the applicable U.S. Treasury regulations provide that a specified NPC is any NPC if (a) in connection with entering into the contract, any long party to the contract transfers the underlying security to any short party to the contract, (b) in connection with the termination of the contract, any short party to the contract transfers the underlying security to any long party to the contract, (c) the underlying security is not readily tradable on an established securities market, or (d) in connection with entering into the contract, the underlying security is posted as collateral by any short party to the contract with any long party to the contract. An NPC that is treated as a specified NPC pursuant to the preceding rule will remain a specified NPC on or after 1 January 2017. With respect to transactions issued on or after 1 January 2017, (a) a "simple" NPC or "simple" ELI that has a delta of .8 or greater with respect to an underlying security when the NPC or ELI is issued is a specified NPC or specified ELI, respectively, and (b) a "complex" NPC or "complex" ELI that meets a substantial equivalence test with respect to an underlying security at the time of issuance is a specified NPC or specified ELI, respectively.

A "simple" NPC or "simple" ELI is an NPC or ELI for which, with respect to each underlying security, (i) all amounts to be paid or received on maturity, exercise, or any other payment determination date are calculated by reference to the appropriate single, fixed number of shares of the underlying security, provided that the number of shares can be ascertained when the contract is issued, and (ii) the contract has a single maturity or exercise date with respect to which all amounts (other than any upfront payment or any periodic payments) are required to be calculated with respect to the underlying security. A contract has a single exercise date even though it may be exercised by the Noteholder at any time on or before the stated expiration of the contract. An NPC or ELI that includes a term that discontinuously increases or decreases the amount paid or received (such as a digital option), or that accelerates or extends the maturity is not a simple ELI or simple NPC. A "complex" NPC or "complex" ELI is any NPC or ELI, respectively, that is not a simple NPC or a simple ELI, respectively. Delta is the ratio of the change in the fair market value of the contract to a small change in the fair market value of the number of shares of the underlying security.

The substantial equivalence test measures the change in value of a complex contract when the price of the underlying security referenced by that contract is hypothetically increased by one standard deviation or decreased by one standard deviation and compares the change in value with the change in value of the shares of the equity that would be held to hedge the complex contract over an increase or decrease in the price of the equity by one standard deviation. If the proportionate difference between (a) the change in value of the

complex contract and (b) the change in value of its hedge, is no greater than the proportionate difference between (i) the change in value of a "benchmark simple contract" with respect to the same shares with a delta of .8 and (ii) the change in value of its hedge, then the complex contract is substantially equivalent to the underlying security and dividend equivalent payments with respect to it are subject to withholding. The "benchmark simple contract" is a closely-comparable simple contract that, at the time the complex contract is issued, has a delta of 0.8, references the applicable underlying security referenced by the complex contract, and has the same maturity as the complex contract with respect to the applicable underlying security.

If an NPC or ELI contains more than one reference to a single underlying security, all references to that underlying security are taken into account in determining the delta with respect to that underlying security. If an NPC or ELI references more than one underlying security or other property, the delta with respect to each underlying security must be determined without taking into account any other underlying security or property. The applicable U.S. Treasury regulations provide an exception for qualified indices that satisfy certain criteria. The applicable U.S. Treasury regulations provide that a payment includes a dividend equivalent payment whether there is an explicit or implicit reference to a dividend with respect to the underlying security.

Upon the issuance of a Note, the Issuer will state in an attachment to the Final Terms or on the Issuer's website if it has determined that such issuance constitutes a Section 871(m) transaction and may provide additional information regarding the application of the applicable U.S. Treasury regulations to the Notes. The Issuer's determination regarding the application of Section 871(m) is binding on Noteholders, but it is not binding on the IRS. In accordance with the applicable effective dates, the Issuer will treat any portion of a payment or deemed payment on a Section 871(m) transaction (including, if appropriate, the payment of the purchase price) that is substantially similar to a dividend as a dividend equivalent, which will be subject to U.S. withholding tax unless reduced by an applicable tax treaty and a properly executed IRS Form W-8 (or other qualifying documentation) is provided. For Notes issued or deemed issued after 31 December 2016, withholding will be based on actual dividends or, if stated in writing on the issue date of the Notes, on estimated dividends used in pricing the Note. If an adjustment is made for the actual dividends, then a true-up payment (in addition to the estimated dividend) is added to the per-share dividend amount. If withholding applies, the Issuer will not be required to pay any additional amounts with respect to amounts withheld. Transactions may be combined and treated as a Section 871(m) transaction, creating liability for a Noteholder, whether or not the Issuer withholds on a dividend equivalent.

THE REGULATIONS REGARDING DIVIDEND EQUIVALENT PAYMENTS ARE EXTREMELY COMPLEX. NOTEHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THESE REGULATIONS AND WHETHER PAYMENTS OR DEEMED PAYMENTS ON THE SECURITIES CONSTITUTE DIVIDEND EQUIVALENT PAYMENTS.

# SUBSCRIPTION AND SALE

*This section provides a summary of certain restrictions around who can purchase the Notes in certain jurisdictions.*

The Issuer and the Guarantor may agree to reimburse a Dealer for certain of its expenses in connection with the issue of Notes under the Programme and to indemnify such Dealer against certain liabilities incurred by it in connection therewith.

## General

Each Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. None of the Issuer, Guarantor and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Guarantor nor any Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

In particular (but without limiting the generality of the above), subject to any amendment or supplement which may be agreed with the Issuer and the Guarantor in respect of the issue of any Tranche, each Dealer appointed under the Programme will be required to agree, to comply with the following provisions except to the extent that, as a result of any change in, or the official interpretation of, any applicable laws and/or regulations, non-compliance would not result in any breach of the applicable laws and/or regulations.

## United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes 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.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each issuance of Fixed Rate Notes, Floating Rate Notes, Index Linked Notes, Equity Linked Notes, Fund Linked Notes, Commodity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Credit Linked Notes, Partly Paid Notes or Range Accrual shall be subject to such additional U.S. selling restrictions as the

Issuer and the relevant Dealer or Dealers may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

## United Kingdom

Each 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 any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Spain

This Base Prospectus has not been registered with the Spanish Securities Market Regulator ("**Comisión Nacional del Mercado de Valores**"). Accordingly, this Base Prospectus is not intended for any public offer of Notes in Spain, as defined pursuant to Spanish Law 24/1988 on the Securities Market and Spanish Royal Decree 1310/2005, both as amended from time to time, and any regulation issued thereunder.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**") and each 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 offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan.

## France

Each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

## The Netherlands

Notes, which are the subject of the offering contemplated by this Base Prospectus, as completed by the Final Terms relating thereto, may not be offered to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in Section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) or (ii) standard exemption wording and a logo is disclosed as required by Section 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), provided that no such offer of Notes shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

## Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or any of the other documents relating to any Notes be distributed in Italy, except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer appointed under the Programme will be required to represent and agree that it will not offer, sell or distribute any Notes or any copies of this Base Prospectus or of any other document relating to the Notes in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 ("**Regulation No. 11971**"), all as amended from time to time; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the 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 "**Banking Act**"), all as amended from time to time; and

(b) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or any other competent authority.

## Czech Republic

No approval of a prospectus has been sought or obtained from the Czech National Bank under Act No. 256/2004 Coll. on Conducting Business in the Capital Market, as amended (the "**Capital Market Act**") with respect to the Notes. No action has been taken to passport a prospectus approved by the competent authority of the home Member State of the Issuer into the Czech Republic by delivery of a certificate of the competent authority of the home Member State of the Issuer to the Czech National Bank attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with the laws of the European Union.

No application has been filed nor has any permission been obtained for listing nor has any other arrangement for trading the Notes on any regulated market in the Czech Republic (as defined by the Capital Market Act) been made. Accordingly, each Dealer appointed under the Programme will have to represent and agree that it will not offer, sell or otherwise introduce the Notes for trading in the Czech Republic in a manner that would require (i) the approval of a prospectus by the Czech National Bank or (ii) passporting of a prospectus approved by the competent authority of the home Member State of the Issuer into the Czech Republic by delivery of a certificate of the competent authority of the home Member State of the Issuer to the Czech National Bank attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with the laws of the European Union.

Accordingly, any person making or intending to make any offer within the Czech Republic of Notes which are the subject of the placement contemplated in this Base Prospectus should only do so in circumstances in which no obligation arises for the Issuer or any of the Dealers to produce a prospectus for such offer. Neither the Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes through

any financial intermediary, other than offers made by Dealers which constitute the final placement of Notes contemplated in this Base Prospectus.

Any person intending to acquire or acquiring any Notes from any person should be aware that, in the context of an offer to the public as defined in section 34 (1) of the Capital Market Act, the Issuer may be responsible to the investor for the Base Prospectus under section 36b of Capital Market Act, 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 Base Prospectus for the purposes of section 36b of the Capital Market Act in the context of the offer to the public, and, if so, who that person is. If the investor is in any doubt about whether it can rely on the prospectus and/or who is responsible for its contents it should take legal advice.

An investor intending to acquire or acquiring any Notes from an offeror will do so, and offers and sales of the Notes to an investor by an offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with investors (other than a Dealer) in connection with the offer or sale of the Notes and, accordingly, this prospectus and any Final Terms will not contain such information and an investor must obtain such information from the offeror.

Each Dealer appointed under the Programme will be required to represent and agree, with the Issuer and each other Dealer that it has complied with and will comply with all the requirements of the Capital Market Act and the Bonds Act and has not taken, and will not take, any action which would result in the Notes being deemed to have been issued in the Czech Republic, the issue of the Notes being classed as "accepting of deposits from the public" by the Issuer in the Czech Republic under Section 2(2) of Act of Czech Republic No.21/1992 Coll., on Banks (as amended) (the "**Banking Act**") or requiring a permit, registration, filing or notification to the Czech National Bank or other authorities in the Czech Republic in respect of the Notes in accordance with the Capital Market Act, the Bonds Act, and the Banking Act or the practice of the Czech National Bank.

Each Dealer appointed under the Programme will be required to represent and agree, with the Issuer and each other Dealer that it has complied with and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Notes.

## Poland

This Base Prospectus has not been approved by the Polish competent authority nor notified (passported) to the Polish competent authority by the CSSF in accordance with applicable procedures. Accordingly, the Notes may not be publicly offered in the Republic of Poland ("**Poland**") or admitted to trading on an EU regulated market in Poland. Pursuant to 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), a "**public offering**" means communication in any form and by any means, which is addressed to 150 or more persons, or to an unspecified addressee, and which contains sufficient information on the securities to be offered and terms and conditions of their acquisition, so as to enable an investor to decide to acquire these securities for a consideration ("**Public Offering**"). Each Dealer appointed under the Programme will be required to represent and agree, that it is aware that no approval has been obtained from the Polish competent authority nor such notification made, and that it will not seek admission of any Notes to trading on the regulated market in Poland nor offer any Notes in Poland as part of its initial distribution in the event that any such offer would constitute a Public Offering in Poland as defined above.

The acquisition and holding of the Notes by residents of Poland may be subject to restrictions imposed by Polish law (including, without limitation, foreign exchange regulations) and that the re-offer or re-sale of the Notes to Polish residents or within Poland in secondary trading may also be subject to restrictions.

## Luxembourg

The Notes are not offered to the public in or from Luxembourg and each Dealer appointed under the Programme will have to represent and agree that it will not offer the Notes or cause the offering of the Notes or contribute to the offering of the Notes to the public in or from Luxembourg, unless all the relevant legal

and regulatory requirements concerning a public offer in or from Luxembourg have been complied with. In particular, this offer has not been and may not be announced to the public and offering material may not be made available to the public.

## Hong Kong

Each Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are 'structured products' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## Republic of Singapore

Each Dealer will be required to acknowledge that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer will be required to represent and agree that it will not offer or sell any Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and will not circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (b) 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 (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (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 Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) 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

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## Korea

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act and its subordinate decrees and regulations (collectively, the "**FSCMA**"). Accordingly, each Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, directly or indirectly, in Korea or to any Korean resident (as such term is defined in the Foreign Exchange Transaction Law and its subordinate decrees and regulations (collectively, "**FETL**")), except as otherwise permitted under applicable Korean laws and regulations, including the FSCMA and FETL. Furthermore, the Notes may not be resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Notes.

## Hungary

This Base Prospectus has not been and will not be submitted for approval to the Hungarian Central Bank, its summary has not and will not be translated into Hungarian and the Notes will not be offered in Hungary in a public offer as defined in the Act CXX of 2001 on the Capital Markets (the "**Capital Markets Act**"). Neither the Base Prospectus, the Final Terms nor any offering material or advertisement in connection with the Notes may be distributed or published in Hungary. No action has been taken to passport a prospectus approved by the competent authority of the home Member State of the relevant Issuer into Hungary by delivery of a certificate of the competent authority of the home Member State of the Issuer to the Hungarian Central Bank attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with Commission Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC. No application has been filed nor has any permission been obtained for listing nor has any other arrangement for trading the Notes on any regulated market in Hungary (as defined by the Capital Markets Act) been made.

Each Dealer will have to confirm its awareness of the above and will have to represent and agree that it will not offer or sell the Notes in Hungary in a manner that would require either the approval of a prospectus by the Hungarian Central Bank or notification of a prospectus approved by the competent authority of the home Member State of the relevant Issuer into Hungary.

The preceding paragraphs shall not apply, in the event that any prospectus regarding the Notes, and including any amendments thereto, has been approved by the relevant prudential authorities of a Member State of the relevant Issuer and the Hungarian Central Bank has been notified in accordance with applicable Hungarian laws. Accordingly, any person making or intending to make any offer within Hungary of the Notes which are the subject of the placement contemplated in this Base Prospectus should only do so in circumstances in which no obligation arises for the Issuers or any of the Dealers to have a prospectus for such offer approved by the Hungarian Central Bank or to passport a prospectus approved by the competent authority of the home Member State of the relevant Issuer into Hungary.

## Slovak Republic

No permit for the issue of the Notes has been obtained (including obtaining approval of the terms and conditions of the Notes) from the National Bank of Slovakia (the "**NBS**") nor is any required under Slovak Act No. 530/1990 Coll., on Bonds (the "**Bonds Act**"). No approval of a prospectus has been sought or obtained from the NBS under the Slovak Act No. 566/2001 Coll., on Securities and Investment Services and on Amendments or Other Acts, as amended (the "**Securities Act**") with respect to the Notes. No action has been taken to passport a prospectus approved by the competent authority of the home Member State of the Issuer into Slovakia by delivery of certificate of the competent authority of the home Member State of the

Issuer to the NBS attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with law of the European Union.

No application has been filed nor has any permission been obtained for listing nor has any other arrangement for trading the Notes on any regulated market in Slovakia (as defined by the Act No. 429/2002 Coll. on stock exchange, as amended (the "**Stock Exchange Act**")) been made. Accordingly, each Dealer and each other purchaser will be required to agree that it has not and will not offer, sell or otherwise introduce the Notes for trading in Slovakia in a manner that would require (i) the approval of a prospectus by the NBS or (ii) passporting of a prospectus approved by the competent authority of the home Member State of the Issuer into Slovakia by delivery of a certificate of the competent authority of the home Member State of the issuer to the NBS attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with law of the European Union.

Each Dealer appointed and each other purchaser will be required to represent and agree, with the Issuer and each other Dealer and/or purchaser (as applicable) that it has complied with and will comply with all the requirements of the Securities Act and the Bonds Act and has not taken, and will not take, any action which would result in the Notes being deemed to have been issued in the Slovak Republic, the issue of the Notes being classed as "accepting of deposits" by the Issuer in the Slovak Republic under Section 2 (2) of Slovak No. 483/2001 Coll., on Banks (as amended) (the "**Banks Act**") or requiring a permit, registration, filing or notification to the NBS or other authorities in the Slovak Republic in respect of the Notes in accordance with the Securities Act, the Bonds Act, the Banks Act or the practice of the NBS.

Each Dealer appointed and each other purchaser will be required to represent and agree with the Issuer and each other Dealer and/or purchaser (as applicable) that it has complied with and will comply with all the laws of the Slovak Republic applicable to the conduct of business in the Slovak Republic (including the laws applicable to the provision of investment services (within the meaning of the Securities Act) in the Slovak Republic) in respect of the Notes.

Any references to the Bonds Act, the Securities Act, the Stock Exchange Act and the Banks Act are made with respect to the relevant provisions of those laws applicable as of the date of this offering circular and, as may be amended, supplemented or replaced by a new Slovak legislation regulating the same which will become valid and effective after the date of this offering circular.

# GENERAL INFORMATION

*This section provides certain additional general information relating to all Notes.*

## Authorisation

The establishment and update of the Programme and the issue of Notes have been duly authorised by written resolutions of the Board of Directors of the Issuer dated 8 June 2016. The giving of the Guarantee has been authorised by resolutions of the Guarantor's Executive Committee dated 2 September 2014 and 16 December 2014 and the resolution of Rik Janssen (Group Treasurer) on 8 June 2016.

## Approval, listing and admission to trading of Notes on the Luxembourg Stock Exchange

Application has been made to the CSSF for the approval of this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of approval of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID.

## Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will be available during normal business hours at the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg (where applicable, with an English translation thereof):

(i) the constitutional documents of the Issuer and the constitutional documents of the Guarantor; and

(ii) the Programme Agreement, the Agency Agreement (including as Schedules the forms of the Temporary Global Note, the Permanent Global Note, the Definitive Note, the Receipt, the Coupon and the Talon), the Guarantee and the Deed of Covenant.

For the period of 12 months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents will be available on the website of the Luxembourg Stock Exchange at www.bourse.lu, on the website of the Issuer at www.kbc.com and during normal business hours at the registered office of the Issuer:

(i) a copy of this Base Prospectus;

(ii) the audited annual non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2014 together, in each case, with the notes and the related auditors' report;

(iii) the non-audited annual non-consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2014;

(iv) the audited annual consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2015 and 31 December 2014 together, in each case, with the notes and the related auditors' report and for the year ended 31 December 2015, the ratios set out in "Additional Information";

(v) the base prospectus dated 25 June 2015 relating to the EUR 15,000,000,000 Wholesale Euro Medium Term Note Programme of KBC IFIMA S.A. (formerly known as KBC Internationale Financieringsmaatschappij N.V.) and guaranteed by KBC Bank NV; and

(vi) any future prospectuses, base prospectuses, information memoranda and supplements including Final Terms relating to Notes which are listed on the official list of the Luxembourg Stock Exchange or offered in a Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (whether or not listed on the official list of the Luxembourg Stock Exchange).

Copies of each Final Terms (together with the relevant Base Prospectus) relating to Notes which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes (together with the relevant Base Prospectus) will be available for viewing on the website of the Luxembourg Stock Exchange at www.bourse.lu, the website of the Issuer at www.kbc.com and at the specified office of each of the Paying Agents by a holder of such Notes upon production of evidence satisfactory to the relevant Paying Agent as to the identity of such holder.

## Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms. Euroclear and Clearstream, Luxembourg are the entities in charge of keeping the records.

The address of Euroclear is 3 Boulevard du Roi Albert III, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg.

## Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

## Significant or Material Change

There has been:

*(a)* no significant change in the financial or trading position of the Issuer, the Guarantor or the KBC Bank Group since 31 December 2015; and

*(b)* no material adverse change in the prospects of the Issuer, the Guarantor or the KBC Bank Group since 31 December 2015.

## Litigation

### KBC IFIMA S.A.

Other than as set out in Section "Description of the Issuer" – "Litigation", the Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.

### KBC Bank NV

Other than as set out in Section "Description of the Guarantor", subsection "Litigation", the Guarantor is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Guarantor is aware) which may have or have had in the 12 months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Guarantor.

## Statutory Auditors

The Issuer's financial statements for the years ended 31 December 2014 and 31 December 2015 and the related auditors' reports are incorporated by reference. The financial statements of the Issuer for the year ended 31 December 2014 have been audited by Ernst & Young Accountants LLP, Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands, and resulted in an unqualified opinion. The auditors are members of the NBA, (Nederlandse Beroepsorganisatie van Accountants), the Dutch professional organisation for accountants. The auditors have no material interest in the Issuer. The financial statements of

the Issuer for the year ended 31 December 2015 have been audited by Ernst & Young S.A., represented by Mr. O. Jordant, with offices at 35E avenue John F. Kennedy, L1855 Luxembourg and resulted in an unqualified opinion. The auditors of the Issuer have no material interest in the Issuer.

Until 27 April 2016, the auditor of the Guarantor was Ernst & Young Bedrijfsrevisoren BCVBA (*erkend revisor/réviseur agréé*), represented by C. Weymeersch, with offices at De Kleetlaan 2, B-1831 Diegem, Brussels ("**Ernst & Young**"). The financial statements of the Guarantor have been audited in accordance with ISA by Ernst & Young for the year ending 31 December 2014 and as of and for the year ending 31 December 2015 and resulted, in each case, in an unqualified opinion. During the relevant period, Ernst & Young had no material interest in the Issuer. On 27 April 2016, PricewaterhouseCoopers Bedrijfsrevisoren BCVBA (*erkend revisor/réviseur agréé*), represented by R. Jeanquart and G. Joos, with offices at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium ("**PwC**"), has been appointed as auditor of the Guarantor for the financial years 2016-2018. PwC has no material interest in the Issuer. Both Ernst & Young and PwC are members of the Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises.

The reports of the auditors of each of the Issuer and the Guarantor are included or incorporated by reference in the form and context in which they are included or incorporated by reference, with the consent of the auditors who have authorised the contents of that part of this Base Prospectus.

## Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any assets underlying any Notes constituting Derivative Securities, except if required by any applicable laws and regulations.

## Dealers transacting with the Issuer and the Guarantor

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 to the Issuer, the Guarantor and their Affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their Affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their Affiliates. Certain of the Dealers or their Affiliates that have a lending relationship with the Issuer or Guarantor routinely hedge their credit exposure to the Issuer or Guarantor consistent with their customary risk management policies. Typically, such Dealers and their Affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their Affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, "Affiliates" means any entity controlled, directly or indirectly, by a Dealer, any entity that controls, directly or indirectly, a Dealer or any entity directly or indirectly under common control with a Dealer. For these purposes "control" means ownership of a majority of the voting power of an entity.

## Other

This Base Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the *Autorité des marches financiers*.

**THE ISSUER**

**KBC IFIMA S.A.**
5 Place de la Gare
L-1616 Luxembourg
Grand Duchy of Luxembourg

**THE GUARANTOR**

**KBC Bank NV**
Havenlaan 2
B-1080 Brussels
Belgium

**DEALER**

**KBC Bank NV**
Havenlaan 2
B-1080 Brussels
Belgium

**ISSUING AND PAYING AGENT**

**KBL European Private Bankers S.A.**
43, Boulevard Royal
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Grand Duchy of Luxembourg

**PAYING AGENT**

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Founders Court
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London EC2R 7HE
United Kingdom

**LEGAL ADVISER**

*To the Dealers as to Belgian, English and Luxembourg law*

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Belgium

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London EC2Y 8HQ
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Grand Duchy of Luxembourg

## AUDITORS

*To the Issuer*

**Ernst & Young S.A.**
35E avenue John F. Kennedy
L1855 Luxembourg
Grand Duchy of Luxembourg

*To the Guarantor*

Until 27 April 2016

**Ernst & Young Bedrijfsrevisoren BCVBA**
De Kleetlaan 2B
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Brussels
Belgium

As of 27 April 2016

**PricewaterhouseCoopers Bedrijfsrevisoren BCVBA**
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B-1932 Sint-Stevens-Woluwe
Brussels
Belgium

## LUXEMBOURG LISTING AGENT

**KBL European Private Bankers S.A.**
43, Boulevard Royal
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Grand Duchy of Luxembourg