

Credit Suisse AG
acting through its London Branch

EUR 15,000,000 LEVERAGED CREDIT LINKED NOTES DUE 2025
REFERENCING THE KINGDOM OF SPAIN

(the "**Securities**")

This securities note (the "**Securities Note**") has been prepared for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**"). The Securities Note contains information relating to the Securities. The Securities Note shall be read in conjunction with the registration document (the "**Registration Document**") dated 13 August 2010 containing information in respect of Credit Suisse AG (the "**Issuer**"), as prepared for the purposes of Article 5.3 of the Prospectus Directive. Together, the Registration Document and the Securities Note comprise a "prospectus" (the "**Prospectus**") for the Securities, prepared for the purposes of Article 5.1 of the Prospectus Directive.

The Securities Note comprises issue specific terms and conditions of the Securities (the "**Issue Specific Terms**") and certain information relating thereto and the base terms and conditions of the Securities (the "**General Conditions**") which are supplemented by the Issue Specific Terms.

26 November, 2010

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The delivery of this document at any time does not imply that any information contained herein is correct at any time subsequent to the date hereof.

The Issuer will not be providing any post issuance information in relation to the Securities. Any websites referred to in the Securities Note shall not form part of the Securities Note.

The Securities Note has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Directive. The Central Bank only approves this Securities Note as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. The Securities Note together with the Registration Document will constitute a prospectus for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List (the "**Official List**") and trading on its regulated market. No assurance can be given that such an application to admit the Securities to the Official List and to trading on the regulated market will be successful.

In connection with the issue and sale of the Securities, no person is authorised to give any information or to make any representation not contained in the Registration Document or the Securities Note, and neither the Issuer nor the Dealer accepts responsibility for any information or representation so given that is not contained in the Registration Document or the Securities Note. The Prospectus does not constitute an offer of Securities, and may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Securities or the distribution of the Prospectus in any jurisdiction where any such action is required except as specified therein.

The distribution of the Prospectus and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession the Registration Document or the Securities Note comes are required by the Issuer to inform themselves about, and to observe, such restrictions.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exemptions, the Securities may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons. A further description of the restrictions on offers and sales of the Securities in the United States or to U.S. persons is set forth below under "Subscription and Sale".

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RISK FACTORS

General

The Issuer believes that certain of the following factors may affect the return on an investment in the Securities and the rights of a Securityholder thereunder. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Securities, but the return on an investment in the Securities may be adversely affected by other factors. Prospective investors should also read the detailed information set out elsewhere in the Securities Note and reach their own views prior to making any investment decision.

THE PURCHASE OF THE SECURITIES INVOLVES SUBSTANTIAL RISKS AND IS SUITABLE ONLY FOR INVESTORS WHO HAVE SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE SECURITIES. BEFORE MAKING AN INVESTMENT DECISION, A PROSPECTIVE INVESTOR IN THE SECURITIES SHOULD CONSIDER CAREFULLY, IN THE LIGHT OF ITS OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, ALL THE INFORMATION SET FORTH IN THE PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW. PROSPECTIVE INVESTORS SHOULD MAKE SUCH ENQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER OR ANY DEALER.

AN INVESTMENT IN SECURITIES LINKED TO ONE OR MORE REFERENCE ENTITIES MAY ENTAIL SIGNIFICANT RISKS NOT ASSOCIATED WITH INVESTMENTS IN A CONVENTIONAL DEBT SECURITY, INCLUDING BUT NOT LIMITED TO THE RISKS SET OUT BELOW. THE AMOUNT PAID BY THE ISSUER ON REDEMPTION OF THE SECURITIES MAY BE LESS THAN THE NOMINAL AMOUNT OF THE SECURITIES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO. WHERE THE SECURITIES ARE REDEEMED BY THE ISSUER BY DELIVERY OF ASSETS THE VALUE OF THE ASSETS MAY BE LESS THAN THE NOMINAL AMOUNT OF THE SECURITIES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO.

CERTAIN ISSUES OF SECURITIES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE 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 the Securities Note. References to the Asset Terms are to the asset terms for credit linked securities set out in Schedule 2 of the Issue Specific Terms.

Risk Factors specific to the credit-linked nature of the Securities

1. CREDIT LINKED SECURITIES GENERALLY

- (a) The Securities are credit-linked securities. Credit-linked securities are securities which are linked to the credit risk of one or more Reference Entities and the obligations of (or the obligations guaranteed by) such Reference Entity/Entities. Investors should note that credit-linked securities differ from ordinary debt securities issued by the Issuer in that (i) the amount of principal and interest (if any) payable by the Issuer is dependent on whether a Credit Event has occurred in respect of the relevant Reference Entity/Entities and, if so, on the value of certain specified obligations of such Reference Entity/Entities and (ii) if such events have occurred, the Issuer's obligation on redemption may be to deliver assets which are obligations of (or obligations guaranteed by) such Reference Entity/Entities.
- (b) Prospective investors in credit-linked securities should be aware that depending on the terms of the Securities (i) they may receive no or a limited amount of interest, (ii) (A) the payment of the redemption amount or interest or (B) the delivery of any specified assets may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment. In certain circumstances the Securities will cease to bear interest (if any) and the value received by Securityholders on redemption may be less than their original investment and may in certain circumstances be zero. The return (if any) on an investment in the Securities will be affected by (a) the number of Reference Entities with respect to which an Event Determination Date occurs; (b) the Reference Entity Notional Amount of such Reference Entity under the Reference CDS which relates to the Security; and (c) the value of the settlement amount which is payable, or the obligations which are deliverable, under the terms of the Reference CDS and/or under the Securities in respect of each Reference Entity with respect to which an Event Determination Date occurs.
- (c) The market price of credit-linked securities 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 Reference Entity/Entities, which in turn may be affected by the economic, financial and political events in one or more jurisdictions.
- (d) By acquiring the Securities, an investor assumes the risk of a Credit Event occurring with respect to one or more relevant Reference Entity/Entities. The occurrence or the non-occurrence of one or more Credit Events will directly and materially affect the return and/or the value of an investor's investment in the Securities. The likelihood of a Credit Event occurring in respect of any Reference Entity will generally fluctuate with, among other things, the financial condition and other characteristics of such Reference Entity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Prospective investors should review the Reference Entity/Entities and conduct their own investigation and analysis with respect to the credit risk of each Reference Entity and the likelihood of the occurrence of a Credit Event with respect to each Reference Entity.

2. REFERENCE CDS

- (a) The terms of the Securities refer to a hypothetical credit default swap (the "**Reference CDS**"), which incorporates the specified credit derivatives definitions (the "**Credit Derivatives Definitions**") published by the International Swaps and Derivatives

Association Inc ("**ISDA**"), and pursuant to which the Issuer is deemed to be 'Buyer' and the hypothetical counterparty is 'Seller'.

- (b) Terms used in these Additional Risk Factors which are not otherwise defined herein or in the Asset Terms shall have the meaning ascribed thereto in the Credit Derivatives Definitions.
- (c) Events, discretions, determinations, payments and deliveries which occur, which are exercised or made or which become due under the terms of the Reference CDS (in particular, following the satisfaction of the Conditions to Settlement thereunder) may affect the amounts payable or deliverable under the Securities, and the timing of such payments and deliveries.
- (d) For instance, following the occurrence of an Event Determination Date, settlement may be required to take place under the Reference CDS, the Outstanding Nominal Amount of each Security will be reduced, the interest amount payable under the Securities will be reduced and the Securities may be redeemed early. The cash (if any) to be paid, or the assets to be delivered, to Securityholders in connection with such Event Determination Date will be determined by reference to the amounts payable or deliverable under the terms of the Reference CDS and is likely to represent a loss to Securityholders.
- (e) Any determinations, calculations or elections which may be made, or discretions which may be exercised, under the Reference CDS, regardless of the party entitled to make or exercise the same will be made by the Calculation Agent. In doing so, the Calculation Agent may, but is not obliged to, have regard to any transactions by which the Issuer has or may have hedged or in the future may hedge, in whole or in part, its obligations under the Securities. References in these Risk Factors and the Asset Terms to any such determination, calculation or election being made, or discretion being exercised, by Buyer, Seller or the Calculation Agent under the Reference CDS (the "**Reference CDS Calculation Agent**") shall be construed as references to the same having been made or exercised by the Calculation Agent.
- (f) In the event that the terms of the Reference CDS oblige or entitle the Buyer, the Seller or the Reference CDS Calculation Agent to give or deliver notice to any person, the Calculation Agent may determine that such notice has, or has not been given, and if applicable the date and time as of which it is given and its contents. Where the Calculation Agent determines that a notice has been given, the relevant notice shall be deemed to be validly given pursuant to the terms of the Reference CDS. Where the Calculation Agent determines that a determination or an election has been made by the Buyer, the Seller or the Reference CDS Calculation Agent under the terms of the Reference CDS, the Calculation Agent will, on behalf of the Issuer, give notice of such determination or election to the Securityholders, but neither the Calculation Agent nor the Issuer shall have any liability to Securityholders for any delay in the giving of such notice, nor will such delay invalidate the corresponding notice which is deemed to have been given under the Reference CDS.
- (g) Nothing in the Asset Terms shall operate to confer on a Securityholder an interest in, or rights under, an actual credit default swap, either in relation to the Securities or otherwise. The terms of the Reference CDS are used solely for the purposes of determining the amounts payable and/or deliverable under the Securities, the timing for such payments and deliveries and the other matters specified below. The Credit

Derivatives Definitions are not incorporated into, or form part of, the terms and conditions of the Securities.

- (h) Whilst a Securityholder may be exposed to similar risks to those imposed on a "Seller" under the Reference CDS, the return on an investment in the Securities may differ materially from the return on an investment as "Seller" under an actual credit derivative transaction on the same terms as the relevant Reference CDS. Prospective investors' attention is also drawn to paragraph 3(b) of these Risk Factors.
- (i) A prospective investor should (i) have sufficient access to, and knowledge of, the Credit Derivatives Definitions and any other documents which are expressed to be incorporated into, or which are otherwise referred to in, the Reference CDS or the relevant Credit Derivatives Definitions; and (ii) thoroughly understand the terms of the relevant Reference CDS, and the related risks. An investor should also understand the role of Credit Derivatives Determinations Committees, and how determinations by such committees may affect the operation of the Reference CDS and accordingly the risks associated with the Securities. An investor should ensure that it has the ability to monitor any matters which are under consideration by, and determinations made by, Credit Derivatives Determinations Committees to the extent that they may be relevant to the Reference CDS and accordingly the Securities.
- (j) The Calculation Agent has no fiduciary or other duty to act (or to refrain from acting) in the best interests of the Securityholders. A prospective investor must have the ability to monitor the occurrence of events which may impact on the Reference CDS, including the ability to exercise the Movement Option and any other matters on which a Seller under the Reference CDS would be entitled to make any determination or give any notice. A Securityholder must further be ready to give to the Calculation Agent, in the form and within the applicable time limits required thereunder, any notices which are contemplated under the Asset Terms in order to protect or preserve its interests with respect to such determinations, notices or other matters under the Reference CDS.
- (k) If the Reference CDS is a "First to Default" transaction there will be multiple Reference Entities, and a Securityholder will be exposed to the credit risk of each of such Reference Entities. Accordingly the risk profile of a "First to Default" transaction will be greater than the risk profile of a Reference CDS which included only one of such entities as its sole Reference Entity. However, once an Event Determination Date has occurred with respect to one of such Reference Entities, no Credit Event or Event Determination Date may occur with respect to any of the other Reference Entities.
- (l) If the Reference CDS is a "portfolio" transaction there will be multiple Reference Entities, and a Securityholder will be exposed to the credit risk of each of such Reference Entities in an amount equal to the applicable Reference Entity Notional Amount. Event Determination Dates may occur with respect to multiple Reference Entities. If the sum of the Reference Entity Notional Amounts of all Reference Entities exceeds the Aggregate Nominal Amount of the Securities, the Securities will represent a leveraged exposure to the Reference Entities which may operate to increase the losses suffered by a Securityholder upon the occurrence of Event Determination Dates.
- (m) Market and regulatory developments affecting credit derivatives transactions have in the past and may in the future lead to changes in the documentation or settlement of credit derivative transactions. In some cases market participants may elect to apply such revised terms to some or all of the existing transactions entered into between them.

Where the Issuer, or any of its affiliates, elects to apply such terms to transactions under which it has hedged, in whole or in part, the risks and rewards associated with the Securities, the Calculation Agent shall be entitled (but not obliged), without the consent of the Securityholders, to apply such terms to the Reference CDS and to make such consequential changes to the terms of the Reference CDS and/or the Securities as it in its absolute discretion considers appropriate to reflect such terms. There can be no assurance that the application of such terms will operate to improve the return to an investor on its investment in the Securities, and they may indeed have a material and detrimental effect on such a return.

3. SETTLEMENT FOLLOWING A CREDIT EVENT

- (a) If, under the terms of the Reference CDS, an Event Determination Date occurs with respect to a Reference Entity there will be a reduction in the Outstanding Nominal Amount of each Security. A Securityholder will receive, in respect of such Event Determination Date, either (A) a cash amount (the "Credit Event Settlement Amount", which may be zero); or (B) certain obligations of, or guaranteed by, the Reference Entity to which the Credit Event occurred (the "Portfolio"), the value of which may be zero. The Credit Event Settlement Amount, which is payable by the Issuer to the Securityholders, will be determined by reference to any obligation(s) of the Reference Entity which (i) (where Auction Settlement applies) is specified in the Final List (as defined in the Rules) which will be published by ISDA on its website prior to the auction to be conducted in respect of the Reference Entity; or (ii) (where Physical Settlement applies (whether as the primary Settlement Method or as a fallback to the Auction Settlement Method and cash redemption of the Securities is specified as being applicable in the relevant Issue Specific Terms)) meets the Deliverable Obligation Category and Deliverable Obligation Characteristics specified in the Reference CDS. In either case, the value received by the Securityholder may be considerably less than the related reduction in the Outstanding Nominal Amount of the Security, in which case the Securityholder will suffer a loss on its investment in the Securities.
- (b) One of the factors affecting the value of the Credit Event Settlement Amount is the Reference Entity Notional Amount of the relevant Reference Entity. The higher the Reference Entity Notional Amount is, the greater will be the loss to an investor from the occurrence of an Event Determination Date. If an Event Determination Date occurs with respect to a Reference Entity and the Reference Entity Notional Amount of such Reference Entity exceeds the Aggregate Nominal Amount of the Securities, the Securities will represent a leveraged exposure to such Reference Entity which will operate to increase the losses suffered by a Securityholder upon the occurrence of such Event Determination Date.
- (c) If the Outstanding Nominal Amount of a Security is reduced to zero on an Event Determination Date then, upon the performance by the Issuer of its obligations under these Asset Terms with respect to such Event Determination Date and all prior occurring Event Determination Dates, the Issuer will be discharged from its obligations and liabilities to the Securityholder in respect of such Security, and such Security will be cancelled.
- (d) If the Reference CDS is a "portfolio" transaction Event Determination Dates may occur with respect to multiple Reference Entities, in which case the Securityholder may suffer multiple losses on its investment in the Securities.

- (e) The Credit Event Settlement Amount, or the value of the Portfolio, will also be affected by the Reference Entity Notional Amount of the Reference Entity with respect to which the Event Determination Date occurred. In general, the higher the Reference Entity Notional Amount of a Reference Entity with respect to which an Event Determination Date occurs, the higher the consequent loss to a Securityholder arising from such Event Determination Date.

3.1 Determination of Cash Settlement Amount

- (a) Where Cash Settlement applies in the Reference CDS (whether as the primary Settlement Method or as a fallback to the Auction Settlement Method), the Reference CDS Calculation Agent will calculate a Cash Settlement Amount by reference to the value of certain obligations of, or guaranteed by, the Reference Entity to which the Credit Event occurred. Such value will be determined by reference to quotations obtained for such obligations from dealers. Any quotations used in the calculation of the Cash Settlement Amount may be affected by factors other than just the occurrence of the Credit Event. Such prices may vary widely from dealer to dealer and substantially between Valuation Dates (if Multiple Valuation Dates apply). The obligations valued for these purposes may be illiquid and such illiquidity may be expected to be more pronounced following the occurrence of a Credit Event, thereby adversely affecting any determination of the value of such obligation which in turn will reduce the Credit Event Settlement Amount of the Securities for such Event Determination Date. Buyer may be entitled to select obligations for the purposes of valuation, and in so doing will be entitled to select the obligations with the lowest value in the market at the relevant time – providing such obligations satisfy certain specifications and limits for qualification as a valuation obligation. This will operate to reduce the Credit Event Settlement Amount payable to the Securityholders.
- (b) Some valuation obligations may have no, or only a limited, trading market, or may be subject to restrictions on transfer, either of which may operate to reduce their value. The liquidity of obligations will generally fluctuate with, among other things, the underlying liquidity of the loan and bond markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the relevant Reference Entity/Entities. The financial markets have experienced periods of volatility and reduced liquidity which may re-occur and reduce the market value of the relevant valuation obligations.
- (c) If Buyer is permitted to value obligations which are Subordinated Obligations (as such term is defined in paragraph 3.2(e) below) this is likely to operate to reduce, and may reduce significantly, the Credit Event Settlement Amount. The inclusion of Subordinated Obligations amongst the obligations to be valued is likely therefore to increase the loss to an investor arising from the occurrence of an Event Determination Date from that which would be likely to arise if Subordinated Obligations were excluded. Prospective investors should therefore review the Reference CDS carefully to ascertain whether or not Buyer would be entitled to value obligations which do not satisfy the "Not Subordinated" Deliverable Obligation Characteristic.

3.2 Auction Settlement

- (a) If Auction Settlement applies in the Reference CDS and a final price is determined in an applicable auction, the Credit Event Settlement Amount will be determined by reference to the Auction Final Price determined under an auction conducted in accordance with

auction settlement terms published by ISDA. See below for further information. This may result in Securityholders receiving a lower Credit Event Settlement Amount than if Auction Settlement were not applicable in the Reference CDS. Prospective investors' attention is also drawn to paragraph 3(b) of these Risk Factors.

- (b) If the relevant Credit Derivatives Determinations Committee does not decide to conduct an auction with respect to obligations of (or guaranteed by) the relevant Reference Entity satisfying the relevant characteristics under the Reference CDS, the Fallback Settlement Method shall apply. This may affect the Credit Event Settlement Amount payable to the Securityholders.
- (c) Where the Credit Event is a Restructuring, the Credit Derivatives Determinations Committee may resolve to conduct an auction (a "**parallel auction**") with respect to obligations of (or guaranteed by) the relevant Reference Entity which do not satisfy the characteristics which are applicable under the Reference CDS. In these circumstances, Buyer may have the option to apply the Auction Final Price determined under such parallel auction (in which case the Credit Event Settlement Amount will be determined by reference to such parallel Auction Final Price).
- (d) There can be no assurance that the value of the Credit Event Settlement Amount determined by reference to an Auction Final Price will be greater than the value of the corresponding amount that would have been determined had Cash Settlement been applicable, or the value of the assets that would have been deliverable had Physical Settlement been applicable. The Credit Event Settlement Amount determined by reference to an Auction Final Price under a parallel auction may be lower than the corresponding amount that would have been determined had an auction been conducted with respect to obligations which do satisfy the characteristics set out in the Reference CDS. See also paragraph 4 (*Seller Decision Instructions*) below.
- (e) Prospective investors should note that the terms of the Reference CDS may exclude from the Deliverable Obligation Characteristics the provision "Not Subordinated". If this is the case, and if an auction is convened for which the Reference CDS is a covered transaction (such that the price determined under such auction will constitute an Auction Final Price for the purposes of the Reference CDS and the Securities), such Auction Final Price may reflect the value of obligations of the relevant Reference Entity which do not satisfy the "Not Subordinated" Deliverable Obligation Characteristic ("**Subordinated Obligations**"). Any such Auction Final Price is likely to be lower, and may be significantly lower, than the Auction Final Price determined under an auction for which Subordinated Obligations are excluded. The inclusion of Subordinated Obligations is likely therefore to increase the loss to an investor arising from the occurrence of an Event Determination Date from that which would be likely to arise if Subordinated Obligations were excluded. Prospective investors should therefore review the Reference CDS carefully to ascertain whether the "Not Subordinated" Deliverable Obligation Characteristic is applicable or not.

3.3 Physical Settlement

- (a) Selection of Deliverable Obligations

If the Issue Specific Terms specify that the Issuer shall satisfy its obligations under the Securities via delivery of the Portfolio, a Securityholder will have to comply with the provisions of the Asset Terms relating to physical settlement, including the delivery of an

Asset Delivery Notice, before it is entitled to receive the relevant Deliverable Obligations.

Where Physical Settlement applies in the Reference CDS (whether as the primary Settlement Method or as a fallback to the Auction Settlement Method), Buyer will select a portfolio of Deliverable Obligations to comprise the Portfolio. The Issuer will then satisfy its obligations under the Securities by the delivery in respect of each Security of its proportion of such Portfolio. Buyer is entitled to select deliverable obligations with the lowest value in the market at the relevant time – provided such obligations satisfy certain specifications and limits for qualification as a Deliverable Obligation. This will operate to reduce the value of the assets delivered to the Securityholder upon redemption.

Prospective investors should note that the terms of the Reference CDS may exclude the "Not Subordinated" Deliverable Obligation Characteristic. If this is the case, then Buyer will be entitled to include Subordinated Obligations in the Portfolio. This is likely to operate to reduce, and may reduce significantly, the value of the Portfolio. The inclusion of Subordinated Obligations is likely therefore to increase the loss to an investor arising from the occurrence of an Event Determination Date from that which would be likely to arise if Subordinated Obligations were excluded. Prospective investors should therefore review the Reference CDS carefully to ascertain whether the "Not Subordinated" Deliverable Obligation Characteristic is applicable or not.

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

(b) Delivery of Deliverable Obligations

Where the Securities provide for physical delivery of the Portfolio, the Issuer may determine that the specified assets to be delivered are either (a) assets which for any reason (including, without limitation, disruption or failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the delivery of assets which are loans) it is impossible or illegal to deliver on the specified settlement date or (b) assets which the Issuer and/or any of its Affiliates has not received under the terms of any transaction and/or trading position entered into by the Issuer and/or any of its Affiliates to hedge the Issuer's obligations in respect of the Securities. Any such determination may delay settlement in respect of the Securities and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount which, in either case, may affect the value of the Securities and, in the case of payment of a cash amount, will affect the timing of redemption. The redemption amount payable in respect of an Undeliverable Obligation (as defined in Asset Term 2.4) may be considerably less than the market value of the applicable Undeliverable Obligation as at the date on which it would otherwise have been delivered to the Securityholder. The Issuer will not be responsible for any such delay or failure and shall not be obliged to compensate holders of Securities for any consequences of such delay or failure. Holders of the Securities

will be solely responsible for determining whether they are permitted to hold any portion of the Portfolio to be delivered, including under applicable securities laws.

Asset Term 2.3(b) provides that, in certain circumstances, the Deliverable Obligations to be delivered in respect of one Security may differ from the Deliverable Obligations to be delivered in respect of another Security of the same Denomination. There may be differences in the economic value or rights of the Deliverable Obligations delivered in respect of one such Security from those delivered in respect of another Security of the same denomination. This may operate to reduce the value of the assets delivered to the Securityholders upon redemption.

The Outstanding Amount (as defined in Section 3.4 of the Credit Derivatives Definitions) of Deliverable Obligations or Replacement Deliverable Obligations to be delivered in respect of each Security may, as a consequence of the Currency Rate applicable to such Deliverable Obligations or Replacement Deliverable Obligations under the terms of the Reference CDS, be less than the Reference Entity Notional Amount of the Reference Entity to which the Event Determination Date occurred, which may increase the loss to a Securityholder arising from the occurrence of such Event Determination Date.

Where the Deliverable Obligation is a loan, in order for the delivery of the loan (or an interest in the loan) to be effected, the Deliverable Obligation must be capable of being transferred to the Securityholders in accordance with its terms and the Securityholders must have the capacity to hold such loan (or loan interest).

Prospective investors should review these Asset Terms and the Issue Specific Terms (including the form of the Reference CDS) to ascertain whether and how such provisions should or may apply to the Securities and how such provisions should or may affect the value of the Securities.

(c) Cash settlement by reference to the value of the Deliverable Obligations

This paragraph (c) applies where (i) Physical Settlement applies in the Reference CDS (whether as the primary Settlement Method or as a fallback to the Auction Settlement Method); and (ii) the Issue Specific Terms provide that the Securities shall be redeemed by cash payment. In these circumstances, the Credit Event Settlement Amount will be determined by reference to the value of the Deliverable Obligations as more particularly provided in Asset Term 2.2(d). Such value shall be determined in respect of each Deliverable Obligation on or about, but in any case no later than the date falling 3 Business Days after, the date which the Calculation Agent determines to be the Delivery Date in respect of such Deliverable Obligation under the Reference CDS. There can be no assurance that the value so determined will reflect the price at which a Securityholder would have been able to sell a Deliverable Obligation which it had received under a physically settled credit default swap, and accordingly a Securityholder may suffer a greater loss on its investment in the Security following the occurrence of an Event Determination Date than it would have suffered as a seller of protection under a physically settled credit default swap on the terms of the Reference CDS. Prospective investors' attention is also drawn to paragraph 3(b) of these Risk Factors.

As noted above at Risk Factor 3.3(a), if the Buyer is entitled to include Subordinated Obligations in the Portfolio, this is likely to operate to reduce, and may reduce significantly, the value of the Portfolio. The inclusion of Subordinated Obligations is

likely therefore to increase the loss to an investor arising from the occurrence of an Event Determination Date from that which would be likely to arise if Subordinated Obligations were excluded. Prospective investors should therefore review the Reference CDS carefully to ascertain whether the Deliverable Obligation Characteristics the provision "Not Subordinated" is applicable or not.

4. SELLER DECISION INSTRUCTIONS

- (a) The Calculation Agent shall, with respect to Seller Decisions (as defined below) and subject to the provisions of Asset Term 8.4, deem that Seller has acted (or refrained from acting) under the Reference CDS in accordance with Seller Decision Instructions.
- (b) By giving Seller Decision Instructions in accordance with Asset Term 8.4, holders of more than 50% by aggregate Outstanding Nominal Amount of the Securities may influence those circumstances under the Reference CDS where, in the opinion of the Calculation Agent, Seller would be entitled to make (or refrain from making) a determination or calculation, give (or refrain from giving) a notice or exercise (or refrain from exercising) a discretion under the Reference CDS (each, a "**Seller Decision**").
- (c) The Reference CDS Calculation Agent will not have regard to any instructions from Securityholders which differ from Seller Decision Instructions. Accordingly each Securityholder must understand and accept the risk that Seller Decision Instructions may be validly given, and acted upon by the Reference CDS Calculation Agent, which conflict with the interests of such Securityholder. There can be no assurance that Seller Decision Instructions will be in the interests of the Securityholders as a whole, or any of them.
- (d) None of the Issuer, the Reference CDS Calculation Agent nor any of their Affiliates shall be liable to any Securityholder for any loss suffered by any Securityholder arising from Seller Decision Instructions, or the failure to give any Seller Decision Instructions, nor any duty to give any advice in respect of the same.
- (e) Save to the extent of any valid Seller Decision Instructions duly received, the Calculation Agent shall have no duty to take any action on behalf of Seller with respect to any Seller Decision and shall have no liability to any Securityholder for failing to do so, either in a timely manner or at all.
- (f) The Calculation Agent shall however, to the extent that the same does not conflict with Seller Decision Instructions or any of the other provisions of these Asset Terms, be entitled, at its sole and absolute discretion, to deem that Seller has acted in respect of a Seller Decision. If the Calculation Agent elects so to do, it will act in a commercially reasonable manner and in good faith and may (but is not obliged to) have regard to any corresponding matters arising under any transactions entered into by the Issuer or any Affiliate to hedge the obligations of the Issuer under the Securities. There can be no assurance that, if the Calculation Agent elects to deem that Seller has acted in respect of a Seller Decision, it will do so to the best interests of the Securityholders or any of them.
- (g) There is no obligation on the Issuer, the Reference CDS Calculation Agent nor any of their Affiliates to advise Securityholders that Seller Decisions are, or may become, pending or capable of exercise. Neither the Issuer nor the Calculation Agent shall have

any obligation to consult with, or convene meetings of, Securityholders to consider matters which may be the subject of Seller Decision Instructions.

- (h) Prospective investors' attention is drawn to the provisions of Asset Term 8 (*Calculation Agent*).

5. NO REQUIREMENT FOR THE ISSUER TO SUFFER LOSS

The Issuer's obligations in respect of the Securities, and its right to satisfy its obligations under the Securities in the manner described in the Asset Terms following the occurrence of a Credit Event, arise irrespective of the existence or amount of the Issuer's and/or any of the Issuer's Affiliates' credit exposure to a Reference Entity and the Issuer and/or any of its Affiliates need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

6. AUCTION SETTLEMENT

- (a) Where an Auction Final Price Determination Date occurs under the Reference CDS, the Auction Final Price will be determined according to an auction procedure set out in the relevant Credit Derivatives Auction Settlement Terms, 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 Issuer and the Securityholders may have little or no influence in the outcome of any such auction, although the outcome of any such auction may alter the Credit Event Settlement Amount the Securityholders will receive.
- (b) There is a high probability that the Issuer or the Calculation Agent (or any of their Affiliates) would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant Deliverable Obligations. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), neither the Issuer nor the Calculation Agent (nor any of their Affiliates) shall be under any obligation to consider the interests of any Securityholder. Any such action may adversely affect the Auction Final Price and accordingly the Credit Event Settlement Amount.
- (c) In certain circumstances, as more particularly referred to in the definition of "Movement Option" under the terms of the Reference CDS, Buyer or Seller may be entitled to apply alternative auction settlement terms for the purposes of the determination of the Auction Final Price. This may result in a worse position for the Securityholders than that which would have applied if either (a) a different set of auction settlement terms had been selected by Buyer or (b) the Fallback Settlement Method specified in the applicable Reference CDS had applied.
- (d) Unless otherwise previously instructed by Seller Decision Instructions, the Calculation Agent will deem that Seller has not exercised the Movement Option.

7. POSTPONEMENT OF REDEMPTION AND SETTLEMENT SUSPENSION

- (a) Prospective investors should note that redemption may be postponed if the Termination Date under the Reference CDS falls after the Scheduled Maturity Date. This may occur, inter alia, where there is a Potential Failure to Pay or a Potential Repudiation/Moratorium that occurs on or prior to the Scheduled Maturity Date. Further, in certain circumstances, settlement of the Securities following the occurrence of a Credit Event may be suspended whilst the relevant Credit Derivatives Determinations Committee considers certain matters following a Credit Event Resolution Request Date. See Asset Term 2.9. This may have an adverse effect, amongst other things, on the accrual of interest in respect of the Securities.
- (b) In addition, under the terms of the Reference CDS, following the determination of an Event Determination Date, such Event Determination Date may be deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Event Determination Date or (B) not to have occurred or an Event Determination Date is deemed to have occurred prior to the immediately preceding Interest Payment Date. In such circumstances the Calculation Agent may decide that (i) adjustment payments need to be paid to the Securityholders; or (ii), alternatively, that subsequent amounts payable to the Securityholders need to be reduced or that adjustment payments need to be paid by the Securityholders to the Issuer.
- (c) As a result, where the timing of an Event Determination Date is deemed to have changed (including where an Event Determination Date is deemed to have occurred prior to the immediately preceding Interest Payment Date) or where an Event Determination Date is deemed not to have occurred or has, Securityholders may receive lower payments than anticipated and/or may receive payments later than originally anticipated and/or may become obliged to make payments to the Issuer.
- (d) If any amount would be payable by a Securityholder, and to the extent that such amount is not accounted for by an adjustment to other amounts payable to the Securityholder under the Securities, such amount shall be payable by the Securityholder to the Issuer. For the purposes of this obligation, the Securityholder consents to the clearing system passing on the Securityholder's details to the Issuer.
- (e) **Settlement Deferral**
 - (i) If "Settlement Deferral" is specified as applicable in the Issue Specific Terms then, following the occurrence of an Event Determination Date, any consequent payment or delivery to Securityholders (including, if applicable, the redemption in full of the Securities) will be deferred until the Deferred Settlement Date. Unless otherwise specified in the Issue Specific Terms, Securityholders will not be entitled to interest in respect of the period of deferral, in which case the deferral will reduce the overall return to Securityholders from an investment in the Securities. Even where interest is paid in respect of the Deferral Period the deferral may still operate to reduce the overall return to Securityholders.
 - (ii) It should also be noted that the amounts payable or deliverable in respect of the Securities will continue to be determined by reference to the settlement provisions (and related timing) under the Reference CDS. Accordingly Securityholders will not benefit from (a) any subsequent increase in the value of any obligations used to determine the Credit Event Settlement Amount; or (b)

any payments or deliveries made in respect of the Deliverable Obligations during the period of such deferral.

8. NO CLAIM AGAINST A REFERENCE ENTITY OR OBLIGATIONS

A Security will not represent a claim against any Reference Entity and, in the event of a Securityholder incurring any losses, costs and/or expenses under or in connection with a Security, it will not have recourse under a Security to any Reference Entity nor shall a Securityholder have any legal, beneficial or other interest whatsoever in any of the Obligations, the Reference Obligations or Deliverable Obligations under the Reference CDS.

9. CALCULATION AGENT DETERMINATIONS

When the determination as to whether a Credit Event has occurred is made by the Calculation Agent, such determination will be made on the basis of the Reference CDS and without regard to any related determination by, or any action taken, omitted to be taken or suffered to be taken by any other person including, without limitation, any creditor of a Reference Entity.

10. CREDIT EVENT AND SUCCESSION EVENT BACKSTOP DATES

An Event Determination Date may not occur under the Reference CDS unless a Credit Event Notice has been given or a request has been submitted to ISDA for the relevant Credit Derivatives Determinations Committee to consider whether the relevant event constitutes a Credit Event, in either case within 60 calendar days of the occurrence of such Credit Event. For Succession Events the look-back period is 90 calendar days and functions similarly. These provisions mean there is a time limit on the ability to act on a Credit Event or a Succession Event. These provisions also mean that it is possible that the Reference CDS, and therefore the Securities, could be affected by a Credit Event or Succession Event that took place prior to the Trade Date. The Issuer shall have no obligation to notify a prospective investor as to whether or not a Credit Event or Succession Event has, or may have, taken place prior to the Trade Date.

11. ROLE OF THE CREDIT DERIVATIVES DETERMINATIONS COMMITTEE

- (a) Credit Derivatives Determinations Committees were established in March 2009 to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. Prospective investors should note that a Credit Derivatives Determinations Committee may have the power to make binding decisions for the purposes of the Reference CDS on critical issues such as whether a Credit Event has occurred, which obligations are to constitute Deliverable Obligations and whether an auction should take place in accordance with and as more fully described in the rules which govern the Credit Derivatives Determinations Committees as published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time (as amended from time to time in accordance with the terms thereof, the "**Rules**") set forth in Annex A to the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions (the "**July 2009 Supplement**") as amended and/or supplemented from time to time. Consequently, Securityholders will be bound by any such relevant decisions and the payments on the Securities and the timing of any such payments may be affected by any such relevant decisions or subsequent determinations if Auction Settlement is specified as the applicable Settlement Method in the applicable Reference CDS.

- (b) **Securityholders (in their capacity as Securityholders) will not be able to refer questions to the Credit Derivatives Determinations Committee**

The Securityholders, in their capacity as holders of the Securities, will not have the ability to refer questions to a Credit Derivatives Determinations Committee since the Securities are not a credit default swap transaction. As a result, Securityholders will be dependent on other market participants to refer specific questions to the Credit Derivatives Determinations Committees that may be relevant to the Securityholders due to the terms of the Reference CDS. Neither the Issuer nor the Calculation Agent nor any of their Affiliates have any duty to the Securityholders to refer, or to desist from referring, specific questions to the Credit Derivatives Determinations Committees.

- (c) **Securityholders will have no role in the composition of the Credit Derivatives Determinations Committees**

Separate criteria apply with respect to the selection of dealer and non-dealer institutions to serve on the Credit Derivatives Determinations Committees and the Securityholders will have no role in establishing such criteria. In addition, the composition of the Credit Derivatives Determinations Committees will change from time to time in accordance with the rules which govern the Credit Derivatives Determinations Committees set forth in the Rules, as the term of a member institution may expire or a member institution may be required to be replaced. The Securityholders will have no control over the process for selecting institutions to participate on the Credit Derivatives Determinations Committees and, to the extent provided for in the Securities, will be subject to the determinations made by such selected institutions in accordance with the Rules.

- (d) **The Issuer or one of its Affiliates may be a member of a Credit Derivatives Determinations Committee**

The Issuer or one of its Affiliates may be a member of a Credit Derivatives Determinations Committee, and may therefore participate and vote on decisions relating to, amongst other matters, (a) the occurrence or non-occurrence of a Credit Event with respect to a Reference Entity, (b) the occurrence or non-occurrence of a Succession Event with respect to a Reference Entity and the determination if applicable of one or more Successors; (c) the decision whether or not to publish Auction Settlement Terms with respect to a Credit Event (and/or whether or not to publish Parallel Auction Settlement Terms with respect to a Restructuring Credit Event); and (d) the list of Deliverable Obligations with respect to a Reference Entity and a Credit Event.

In participating in any such decisions the relevant member of such Credit Derivatives Determinations Committee shall not, and shall not be obliged to, have regard to the interests of any Securityholder and may ignore any conflict of interest arising from its rights and obligations under, or in respect of, the Securities.

Any of such decisions may materially affect the occurrence or non-occurrence and timing of an Event Determination Date with respect to a Reference Entity, the basis on which the Credit Event Settlement Amount is determined and the quantum (if any) of such Credit Event Settlement Amount.

- (e) **Securityholders shall be responsible for obtaining information relating to the Credit Derivatives Determinations Committees and Credit Derivatives Auction Settlement Terms**

The Rules in force from time to time, the Credit Derivatives Auction Settlement Terms with respect to the relevant Reference Entity, notices of questions referred to the Credit Derivatives Determinations Committees, meetings convened to deliberate such questions and the results of binding votes of the Credit Derivatives Determinations Committees will be published on ISDA's website. Neither the Issuer, the Calculation Agent nor any of their respective Affiliates shall be obliged to inform the Securityholders of such information (other than as expressly provided in the terms of the Securities). Failure by the Securityholders to be aware of information relating to determinations of a Credit Derivatives Determinations Committee will have no effect under the Securities and Securityholders are solely responsible for obtaining any such information.

- (f) Securityholders shall have no recourse against the Issuer, the Calculation Agent, any institutions serving on the Credit Derivatives Determinations Committees or the external reviewers in the event of any loss arising directly or indirectly from any action, determination or resolution taken or made by the ISDA Credit Derivatives Determinations Committee or any delay, inaccuracy or omission in any information from time to time published by or on behalf of ISDA in respect thereof.
- (g) **Securityholders shall be deemed to have acknowledged and agreed to the disclaimers set out in Asset Term 10.**

12. NO REPRESENTATION OR WARRANTY; PROVISION OF INFORMATION

- (a) In relation to the Securities, neither the Issuer nor any of its Affiliates (as defined herein) makes any representation or warranty as to the credit quality of any Reference Entity. Prospective investors should obtain and evaluate the same information concerning the Reference Entities as they would if they were investing directly in the securities issued by the Reference Entities.
- (b) The Issuer and/or any Affiliate may have acquired, or during the term of the Securities may acquire, information in relation to any Reference Entity under the Reference CDS that is or may be construed, in the context of the Securities, not to be publicly available or known to the Securityholders. Neither the Issuer nor any of its Affiliates is under any obligation to make such information, whether or not confidential, available to Securityholders. Prospective investors must therefore make an investment decision based upon their own due diligence and purchase the Securities in the knowledge that non-public information which the Issuer, the Dealer(s) or any of their respective Affiliates may have will not be disclosed to investors. None of the Issuer, the Dealer(s) and any of their respective Affiliates is under any obligation (i) to review on the Securityholders' behalf, the business, financial conditions, prospects, creditworthiness, status or affairs of the Reference Entity/Entities or conduct any investigation or due diligence into the Reference Entity/Entities or (ii) other than as may be required by applicable rules and regulations relating to the Securities, to make available (a) any information relating to the Securities or (b) any non-public information they may possess in respect of the Reference Entity/Entities.
- (c) Past performance of such Reference Entities cannot be considered to be a guarantee of, or guide to, future performance.

13. BUSINESS RELATIONSHIPS

- (a) The Issuer and/or any of its Affiliates may have existing or future business relationships with a Reference Entity under the Reference CDS (including, but not limited to, lending, depository, risk management, advisory and banking relationships), and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Securityholder should their actions adversely impact the amount payable to the Securityholder on redemption.
- (b) The Issuer and its Affiliates may deal in each Obligation and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, a Reference Entity under the Reference CDS or any other person or entity having obligations relating to a Reference Entity and may act with respect to such business in the same manner as each of them would had the Securities not been in issue, regardless of whether any such action might have an adverse effect on a Reference Entity or the position of a Securityholder or otherwise (including any action which might constitute or give rise to a Credit Event).

14. 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 obligations of the Reference Entity/Entities (including the Reference Obligations, if any, under the Reference CDS) or related derivatives. In addition, in connection with the offering of the Securities, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to the Reference Entity/Entities, the Reference Obligations 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 Entity/Entities, the Reference Obligations or related derivatives which may affect the market price, liquidity or value of the Securities and which could be adverse to the interests of the relevant Securityholders.

15. POTENTIAL CONFLICTS OF INTEREST

- (a) The Issuer and/or any of its Affiliates may engage in trading activities (including hedging activities) related to interests underlying any Securities and other instruments or derivative products based on or related to interests underlying any Securities for their proprietary accounts or for other accounts under their management. The Issuer and its Affiliates may also issue other derivative instruments in respect of interests underlying any Securities for their proprietary accounts or for other accounts under their management. The Issuer and its Affiliates may also act as underwriter in connection with future offerings of shares or other securities of, or guaranteed by, a Reference Entity or otherwise related to an issue of Securities may act as a lender and/or agent or trustee with respect to any loan or other financing to, or guaranteed by, a Reference Entity, and/or may act as financial adviser to companies whose securities impact the return on the Securities. Such activities could present certain conflicts of interest, could influence the prices of such shares or other securities and could adversely affect the value of the Securities.

- (b) The Issuer or the Calculation Agent (or any of their Affiliates) may act as a voting member on a Credit Derivatives Determinations Committee and may be a party to credit derivative transactions which incorporate or are deemed to incorporate the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 Credit Derivatives Definitions. As a consequence, it may take certain actions which may influence the process and outcome of decisions of the Credit Derivatives Determinations Committees. Such action may have an impact on the Reference CDS and therefore be adverse to the interests of the Securityholders and may result in an economic benefit accruing to the Issuer or Calculation Agent or any of their Affiliates, as the case may be. In taking action relating to the Credit Derivatives Determinations Committees or performing any duty under the rules, the Issuer or Calculation Agent or any of their Affiliates, as the case may be, shall have no obligation to consider the interests of the Securityholders and may ignore any conflict of interest arising due to its responsibilities under the Securities.
- (c) The Issuer and/or its Affiliates 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 and/or any such Affiliate to disclose such information to any Securityholder, nor to respond to any Securityholders enquiries or requests for information with respect to any such, or similar, event.

General Risk Factors

16. THE SECURITIES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

- (a) Each of the risks described under these "Additional Risk Factors" could adversely affect the trading price of any Securities or the rights of investors under any Securities 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 any Securities for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Securities Note (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.
- (b) Each investor in the Securities must determine the suitability of an investment in the Securities in light of its own circumstances. In particular, but without limitation, each prospective investor should:
 - (i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in the Prospectus;
 - (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities, the risks in connection with an investment in the Securities and the impact the Securities 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 Securities, including Securities, with principal or interest

payable in one or more currencies, or where the currency for principal or interest payments is different from the prospective investor's currency;

- (iv) understand thoroughly the terms of the Securities and be familiar with common market terms, market-standard methodologies and the behaviour of any relevant securities, assets and/or 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.
- (c) The Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A prospective investor should not invest in Securities which are complex financial instruments unless it is financially sophisticated and it has the requisite specialist expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the prospective investor's overall investment portfolio.

17. SECONDARY MARKET

- (a) No secondary market is expected to develop in respect of the Securities and, in the unlikely event that a secondary market in the Securities does develop, there can be no assurance that it will continue. Accordingly, the purchase of Securities is suitable only for investors who can bear the risks associated with a lack of liquidity in the Securities and the financial and other risks associated with an investment in the Securities. Any investor in the Securities must be prepared to hold such Securities for an indefinite period of time or until the redemption of the Securities. Illiquidity of the Securities may have a severely adverse effect on the market value of the Securities.
- (b) The original issue price of the Securities may include amounts in respect of certain commissions paid with respect to the distribution of the Securities together with certain costs (borne by the Issuer and/or an Affiliate (as defined herein) of the Issuer) of hedging the Securities. The price at which the Issuer may be willing to purchase the Securities 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 and any other Affiliate.

18. SECURITIES ARE UNSECURED OBLIGATIONS

The Securities constitute unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* and rateably 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).

19. SECURITIES SUBJECT TO OPTIONAL REDEMPTION BY THE ISSUER

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

20. INDEPENDENT REVIEW AND ADVICE

Each prospective investor of Securities must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Securities (i) is fully consistent with its (or if it is acquiring the Securities in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Securities as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Securities in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Securities.

21. NO RELIANCE

- (a) A prospective investor may not rely on the Issuer or any of its Affiliates in connection with its determination as to the legality, advisability or suitability of its acquisition of the Securities or as to the other matters referred to above.
- (b) Neither the Issuer nor any of its Affiliates, employees, directors or other connected persons has any duty, obligation or responsibility towards a Securityholder unless otherwise agreed in writing with that Securityholder. In particular, without limiting the foregoing, neither the Issuer nor any of its Affiliates need 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 Securityholder. In taking action against third parties, the Issuer and any of its Affiliates may combine holdings of debt, securities 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 Securities in writing.

22. DELIVERY OF NOTICES

Notwithstanding anything to the contrary in the General Conditions, notices given to Securityholders under the Asset Terms may be delivered to the Clearing System or the Registrar, as appropriate, and shall be deemed to be effective from the date and time of delivery (delivery being deemed to occur when a notice is sent or, in the case of a notice by hand, when such notice is actually delivered), regardless of whether the Securityholders have received, or have any ability to receive, such notice at such time.

23. LEGALITY OF PURCHASE

Neither the Issuer nor any of its Affiliates has or assumes any responsibility for the lawfulness of the acquisition of the Securities by a prospective investor of the Securities, 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. Investors should consult with their own legal advisors in determining whether, and to what extent (1) the Securities will constitute legal investments for them and the consequences of such an Investment, (2) Securities can be used as collateral for various types

of borrowing and (3) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

24. CREDIT RISK

Securities are obligations of the Issuer. Securityholders are exposed to the credit risk of the Issuer.

25. LIMITED LIQUIDITY

There can be no assurance that a secondary market for any of the Securities will develop, or, if a secondary market does develop, that it will provide the holders of the Securities with liquidity or that it will continue for the life of the Securities. A decrease in the liquidity of an issue of Securities may cause, in turn, an increase in the volatility associated with the price of such issue of Securities. Illiquidity may have a severely adverse effect on the market value of Securities.

Any investor in the Securities must be prepared to hold such Securities for an indefinite period of time or until redemption or expiry of the Securities. The Issuer may, but is not obliged to, purchase Securities 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 Securities may be limited.

26. INTEREST RATE RISKS

Where Securities bear interest at a fixed rate, subsequent changes in market interest rates may adversely affect the value of the Securities.

Where interest on Securities is subject to floating rates of interest that will change subject to changes in market conditions, such changes could adversely affect the rate of interest received on the Securities.

27. CURRENCY RISKS

Investors may be exposed to currency risks because (i) the Underlying Assets may be denominated or priced in currencies other than the currency in which the Securities are denominated or (ii) the Securities and/or the Underlying Assets may be denominated in currencies other than the currency of the country in which the investor is resident. The value of the Securities may therefore increase or decrease as a result of fluctuations in those currencies.

28. CONFLICTS OF INTEREST

In making calculations and determinations with regard to the Securities, there may be a difference of interest between the investors and the Issuer. The Issuer is required to act in good faith and in a commercially reasonable manner but does not have any obligations of agency or trust for any investors and has no fiduciary obligations towards them. In particular the Issuer and its affiliated entities may have interests in other capacities (such as other business relationships and activities).

29. LOSS OF INVESTMENT

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

30. ADJUSTMENTS AND EARLY REDEMPTION OR CANCELLATION

In certain circumstances the Issuer may make adjustments to the terms of the Securities (including substituting Underlying Assets) or redeem or cancel them at their fair market value as determined by it without the consent of the Securityholders.

31. TAX

The level and basis of taxation on the Securities and on the Securityholders and any reliefs from such taxation depend on the Securityholder's individual circumstances and would change at any time. The tax and regulatory characterisation of the Securities may change over the life of the Securities. This could have adverse consequences for Securityholders. Potential Securityholders 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 Securities.

32. SPECIFIED DENOMINATION

Securities will only be issued and will only be tradeable in a a denomination consisting of the minimum Specified Denomination (EUR 50,000)

33. SECURITIES IN GLOBAL FORM

So long as the Securities are represented by a permanent Global Note and the relevant clearing system(s) so permit, the Securities will be tradable only in the minimum authorised denomination of EUR 50,000. If definitive Securities are issued, holders should be aware that definitive Securities will only be issued with a denomination of EUR 50,000.

ISSUE SPECIFIC TERMS

Except as set out below, the Securities will be subject to the General Conditions set out in the Securities Note and the Asset Terms. Terms defined in the General Conditions have the same meaning in the Issue Specific Terms unless otherwise defined in these Issue Specific Terms. For the avoidance of doubt, the Schedules attached to these Issue Specific Terms form part of the Issue Specific Terms.

Not Applicable means an item is not applicable at the date of these Issue Specific Terms. Words in italics do not form any part of these Issue Specific Terms.

1	Branch	London Branch
2	Series Number:	LB2010-1371
3	Tranche Number:	1
4	Applicable General Terms and Conditions:	Notes
5	Specified Currency or Currencies:	EUR
6	Aggregate Nominal Amount:	EUR 15,000,000
	(i) Series:	EUR 15,000,000
	(ii) Tranche:	EUR 15,000,000
7	Issue Price:	100 per cent. of the Aggregate Nominal Amount
8	Specified Denominations:	EUR 50,000
9	Issue Date/Payment Date:	26 November 2010
10	Maturity Date:	20 December 2025 (the " Scheduled Maturity Date ") subject to "Maturity Date Extension" as provided in Asset Term 3.
11	Interest Basis:	Floating Rate
12	Premium Basis:	Not Applicable
13	Redemption/Payment Basis:	Credit-linked – see terms of Reference CDS attached to these Issue Specific Terms
14	Put/Call Options:	Not Applicable

PROVISIONS RELATING TO INTEREST AND PREMIUM

15	Fixed Rate Provisions	Not Applicable
16	Floating Rate Provisions	Applicable

Interest shall cease to accrue from and including the Interest Payment Date immediately preceding an Event Determination Date or (if no Interest Payment Date has occurred prior to such Event Determination Date) from and including the Interest Commencement

	Date, as the case may be.
(i) Interest Payment Dates:	20 March, 20 June, 20 September and 20 December each year, commencing on 20 December 2010 (short first Interest Period)
(ii) Interest Commencement Date:	Issue Date
(iii) Business Day Convention:	Following Business Day Convention
(iv) Business Centre(s):	London
(v) ISDA Determination:	
– Floating Rate Option:	EUR-EURIBOR-Reuters
– Designated Maturity:	3 months
– Reset Date:	The first day of each Interest Period
(vi) Margin(s):	1.40 per cent. per annum
(vii) Minimum Rate of Interest:	Not Applicable
(viii) Maximum Rate of Interest:	Not Applicable
(ix) Day Count Fraction:	Actual/360
(x) Determination Date(s):	Not Applicable
(xi) Rate Multiplier:	Not Applicable
(x) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Securities, if different from those set out in the Conditions:	Linear interpolation applicable for the first (short) Interest Period
17 Premium Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

18 Redemption Amount	<p>The Redemption Amount in respect of each Security will be the greater of zero and either:</p> <p>(a) if no Event Determination Date has occurred on or prior to the Maturity Date, an amount in EUR equal to the Outstanding Nominal Amount of such Security (which, for the avoidance of doubt, will be payable pursuant to Asset Term 2.1); or</p> <p>(b) if an Event Determination Date has occurred on or prior to the Maturity Date, an amount in EUR equal to the relevant Credit Event Settlement Amount (which, for the avoidance of doubt, will be payable on the Credit Event Settlement</p>
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		Date).
19	List of Underlying Assets	Not Applicable
20	Equity-linked Securities	Not Applicable
21	Equity Index-linked Securities	Not Applicable
22	Commodity-linked Securities	Not Applicable
23	Commodity Index-linked Securities	Not Applicable
24	Fund-linked Securities	Not Applicable
25	FX-linked Securities	Not Applicable
26	FX Index-linked Securities	Not Applicable
27	Inflation Index-linked Securities	Not Applicable
28	Interest Rate Index -linked Securities	Not Applicable
29	Cash Index-linked Securities	Not Applicable
30	Adjustments Convention:	Not Applicable
31	Details relating to Instalment Securities:	Not Applicable
32	Call Option:	Not Applicable
33	Put Option:	Not Applicable
34	Settlement Currency: <i>(The currency in which payments will be made)</i>	The Specified Currency
GENERAL PROVISIONS		
35	(i) Form of Securities:	Bearer Securities
	(ii) Global Security:	Permanent Global Security
	(iii) Applicable TEFRA exemption:	C Rules
36	Financial Centre(s):	London
	Business Day(s)	London and TARGET
37	Minimum Transferable Number of Securities:	1
38	Listing and Admission to Trading:	
	(i) Stock Exchange(s) to which application will initially be made to list the Securities: <i>(Application may subsequently be made to other stock exchange(s))</i>	Irish Stock Exchange
	(ii) Admission to trading:	Irish Stock Exchange
39	Entities (other than stock exchanges) to which application for listing and/or approval of the Securities will be made:	The Central Bank of Ireland
40	Security Codes and Ticker Symbols:	
	ISIN Code:	XS0557553293

	Common Code:	055755329
	Swiss Security Number:	11978245
	Telekurs Ticker:	Not Applicable
	WKN number:	Not Applicable
41	Clearing and Trading:	
	Clearing System(s) and any relevant identification number(s):	Euroclear Bank S.A.
	Clearing Agent:	Not Applicable
	Delivery of Securities:	Delivery against payment
	Minimum Trading Lot:	1
42	Agents:	
	Calculation Agent:	Credit Suisse International One Cabot Square London E14 4QJ
	Fiscal Agent:	The Bank of New York Mellon, acting through its London Branch One Canada Square London E14 5AL
	Paying Agents:	The Bank of New York Mellon, acting through its London Branch One Canada Square London E14 5AL
	Additional Agents:	Not Applicable
	Transfer Agent:	Not Applicable
	<i>(Registered Notes only)</i>	
	Registrar:	Not Applicable
	<i>(Registered Notes only)</i>	
43	Co-Structurer:	Not Applicable
44	Dealer(s):	Credit Suisse International
45	Additional steps that may only be taken following approval by Extraordinary Resolution:	Not Applicable
46	Specified newspaper for the purposes of notices to Securityholders:	Not Applicable
47	<u>Additional Provisions:</u>	Applicable
	Asset Terms	The Asset Terms (as set out and defined in Schedule 2 of these Issue Specific Terms)

shall be deemed incorporated into, and shall form part of, these Issue Specific Terms subject to the provisions of this Issue Specific Terms, provided that references in the Asset Terms to "Final Terms" shall be read as, and construed to mean, "these Issue Specific Terms".

In these Issue Specific Terms, references to a numbered Asset Term shall be read as, and construed to mean, a reference to the corresponding Asset Term in the Asset Terms.

Reference CDS

The return on the Securities is linked to a hypothetical credit default swap (the "**Reference CDS**"), evidenced by a confirmation, the terms of which are set out in Schedule 1 hereto.

Events, discretions, determinations, payments and deliveries which occur, which are exercised or made or which become due under the terms of the Reference CDS (in particular, following the satisfaction of the Conditions to Settlement thereunder) may affect the amounts payable or deliverable under the Securities, and the timing of such payments and deliveries.

Terms which are not defined in these Issue Specific Terms, the Asset Terms or elsewhere in the General Conditions shall have the meaning ascribed thereto in the Reference CDS (and the documents expressed to be incorporated therein).

The Reference Entity Notional Amount of the Reference CDS Confirmation exceeds the Aggregate Nominal Amount by a leverage factor of 1.5 times. Accordingly an investment in the Securities carries a leveraged exposure to the risk of loss following the occurrence of an Event Determination Date. See paragraph 3(b) of the Risk Factors in this Securities Note.

Cash Redemption of Securities (see *Asset Term 2.2(d)*)

Applicable.

Settlement Deferral (see *Asset Term 2.2(f)*)

Applicable.

Deferred Settlement Date: the later of (i) the Maturity Date and (ii) the Credit Event

Settlement Date.

Deferral Rate is 0 per cent. per annum.

For the avoidance of doubt, no amounts shall be payable by the Issuer under Asset Term 2.2(f)(iv) in respect of the Deferral Period.

Additional Definitions:

The following definitions shall be added to Asset Term 14:

"Auction Settlement Loss Amount" means with respect to an Event Determination Date an amount equal to the greater of

(a) an amount equal to the product of:

(i) 100% minus the relevant Auction Final Price; and

(ii) the Reference Entity Notional Amount of the relevant Reference Entity which is the subject of such Event Determination Date (or, if the provisions of Asset Term 2.11 apply, the applicable Exercise Amount); and

(b) zero;

"Cash Alternative Settlement Loss Amount" means with respect to an Event Determination Date an amount equal to the greater of:

(a) an amount equal to the product of:

(i) 100% minus the relevant Average Market Value Percentage; and

(ii) the Reference Entity Notional Amount of the relevant Reference Entity which is the subject of such Event Determination Date (or, if the provisions of Asset Term 2.11 apply, the applicable Exercise Amount); and

(b) zero;

"Cash Settlement Loss Amount" means with respect to an Event Determination Date an amount equal to the greater of:

(a) an amount equal to the product of

(i) 100% minus the relevant

Final Price; and

(ii) the Reference Entity Notional Amount of the relevant Reference Entity which is the subject of such Event Determination Date (or, if the provisions of Asset Term 2.11 apply, the applicable Exercise Amount); and

(b) zero;

Credit Event Settlement Amount: The definition of "Credit Event Settlement Amount" in the Asset Terms shall be deleted and replaced with the following:

"Credit Event Settlement Amount" means, in respect of a Security and with respect to an Event Determination Date:

(a) where the provisions of Asset Term 2.2(c) apply, an amount equal to the product of (i) an amount equal to the Aggregate Nominal Amount as of such Event Determination Date minus the Auction Settlement Loss Amount, and (ii) the Relevant Proportion as of the Event Determination Date; or

(b) where the provisions of Asset Term 2.2(b) apply, an amount equal to the product of (i) an amount equal to the Aggregate Nominal Amount as of such Event Determination Date minus the Cash Settlement Loss Amount, and (ii) the Relevant Proportion as of the Event Determination Date; or

(c) where the provisions of Asset Term 2.2(d) apply, an amount equal to the product of (i) an amount equal to the Aggregate Nominal Amount as of such Event Determination Date minus the Cash Alternative Settlement Loss Amount, and (ii) the Relevant Proportion as of the Event Determination Date,

subject, in each case, to a minimum of zero.

Credit Event Settlement Date: The definition of "Credit Event Settlement Date" in the Asset Terms shall be deleted and replaced with the following:

"Credit Event Settlement Date" means, in

respect of a Security and with respect to an Event Determination Date (and subject to Asset Term 2.2(f)):

- (a) where the provisions of Asset Term 2.2(c) apply, the date falling 10 Business Days after the corresponding Auction Final Price Determination Date under the Reference CDS; or
- (b) where the provisions of Asset Term 2.2(b) apply, the date falling 10 Business Days after the date on which the Final Price is calculated under the Reference CDS; or
- (c) where the provisions of Asset Term 2.2(d) apply, the date falling 10 Business Days after the first date on which the Average Market Value Percentage has been determined.

SCHEDULE 1 - REFERENCE CDS CONFIRMATION

The following set forth the terms and conditions of a reference credit derivative transaction which is deemed to have been entered into on the Trade Date specified below in connection with the EUR 15,000,000 Leveraged Credit Linked Notes due 2025 referencing The Kingdom of Spain (the "**Securities**") issued by Credit Suisse AG, acting through its London Branch (the "**Issuer**").

This confirmation evidences the Reference CDS (the "**Reference CDS Confirmation**") for the purposes of such Securities, and is deemed to have been entered into between the Issuer as "**Buyer**" and the Reference CDS Counterparty as "**Seller**".

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions (published on July 14, 2009), each as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") (together, the "**Credit Derivatives Definitions**") are incorporated into this Reference CDS Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions and the Asset Terms (as defined in the Issue Specific Terms for the Securities) and this Reference CDS Confirmation, this Reference CDS Confirmation will govern.

The terms of the Transaction to which this Reference CDS Confirmation relates are as follows:

1. General Terms

Trade Date:	5 November 2010
Effective Date:	26 November 2010
Scheduled Termination Date:	20 December 2025
Floating Rate Payer:	Seller
Fixed Rate Payer:	Buyer
Calculation Agent:	Credit Suisse International
Calculation Agent City:	London
Business Day:	London and TARGET
Business Day Convention:	Following
Reference Entity	The Kingdom of Spain
All Guarantees:	Applicable
Reference Price:	100%
Reference Entity Notional Amount:	EUR 22,500,000

2. Fixed Payments

Fixed Amount:	Not Applicable
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3. Floating Payments

Floating Rate Payer	The Reference Entity Notional Amount
Calculation Amount:	
Conditions to Settlement	Credit Event Notice

Notifying Party: Buyer or Seller

Credit Events

The following Credit Events shall apply to this Transaction:

Bankruptcy

Failure to Pay

Restructuring

Multiple Holder Obligation: Applicable

Obligation Category

Borrowed Money

Obligation Characteristics

None

Excluded Obligations

None

4. Settlement Terms

Settlement Method

Auction Settlement

Fallback Settlement Method:

Physical Settlement

5. Terms Relating to the Fallback Settlement Method

The terms relating to the Fallback Settlement Method shall be as follows:

Deliverable Obligations

Exclude Accrued Interest

Deliverable Obligation
Category

Bond or Loan

Deliverable Obligation
Characteristics

Standard Specified Currencies

Assignable Loan

Consent Required Loan

Transferable

Not Contingent

Not Bearer

Maximum Maturity (30 years)

SCHEDULE 2 - ASSET TERMS OF CREDIT LINKED SECURITIES

*The following are the asset terms (the "**Asset Terms**") which, subject to the relevant General Conditions and the provisions of the Issue Specific Terms, apply to Securities.*

1. REFERENCE CDS

- 1.1 The return on the Securities is linked to a hypothetical credit default swap (the "**Reference CDS**"), the terms of which will be set out in a confirmation (the "**Reference CDS Confirmation**") which appears as a schedule to the Issue Specific Terms.
- 1.2 Events, discretions, determinations, payments and deliveries which occur, which are exercised or made or which become due under the terms of the Reference CDS (in particular, following the satisfaction of the Conditions to Settlement thereunder) may affect the amounts payable or deliverable under the Securities, and the timing of such payments and deliveries.
- 1.3 Terms which are not defined in these Asset Terms or in the General Conditions shall have the meaning ascribed thereto in the Reference CDS Confirmation (and the documents expressed to be incorporated therein).
- 1.4 For the purposes of making calculations under the Securities, the Issuer is deemed on the Trade Date specified in the Reference CDS Confirmation to have entered into the Reference CDS with a market counterparty of the highest creditworthiness (the "**Reference CDS Counterparty**") on the terms set out in the Reference CDS. The Issuer is 'Buyer' and the Reference CDS Counterparty is 'Seller', and the Reference CDS is otherwise entered into on such terms as the Calculation Agent may in its sole discretion determine, the economic effect of which is to provide to Buyer substantially similar rights and remedies with respect to each Reference Entity as are provided to the Issuer under the Securities.
- 1.5 In the event that the terms of the Reference CDS require or entitle the Buyer, the Seller or the Calculation Agent under the Reference CDS (the "**Reference CDS Calculation Agent**") to make a determination or calculation or election or exercise a discretion pursuant to the Reference CDS (including, without limitation to the generality of the foregoing, in respect of the determination of the selection of Reference Obligations, Deliverable Obligations, Successors and Substitute Reference Obligations or the satisfaction of the Conditions to Settlement, in each case as defined in and in accordance with the terms of the Reference CDS), such determination, calculation, election or such exercise of a discretion, as the case may be, shall be made by the Calculation Agent.
- 1.6 Where the Calculation Agent is making a determination or calculation or election or exercising a discretion under the Reference CDS:
 - (a) on behalf of Buyer, it shall do so in its sole and absolute discretion;
 - (b) on behalf of Seller, it shall do so only in accordance with the provisions of Asset Term 8.4 below; and
 - (c) in its capacity as Reference CDS Calculation Agent, in good faith and a commercially reasonable manner.

In all cases, the Calculation Agent may, but is not obliged to, have regard to any transactions by which the Issuer has or may have hedged or in the future may hedge, in whole or in part, its obligations under the Securities.

- 1.7 Subject to Asset Term 8.4, in the event that the terms of the Reference CDS oblige the Buyer, the Seller and/or the Reference CDS Calculation Agent to agree or consult with each other in respect of any calculation or determination in respect of the Reference CDS, such obligation shall be deemed not to apply and to be replaced by the obligation of the Calculation Agent acting in its sole and absolute discretion to make the relevant calculation or determination.
- 1.8 In the event that the terms of the Reference CDS oblige or entitle the Buyer, the Seller or the Reference CDS Calculation Agent to give or deliver notice to any person, the Calculation Agent may determine that such notice has, or has not been given, and if applicable the date and time as of which it is given and its contents. Where the Calculation Agent determines that a notice has been given, the relevant notice shall be deemed to be validly given pursuant to the terms of the Reference CDS. Where the Calculation Agent determines that a determination or an election has been made by the Buyer, the Seller or the Reference CDS Calculation Agent under the terms of the Reference CDS, the Calculation Agent will, on behalf of the Issuer, give notice of such determination or election to the Securityholders, but neither the Calculation Agent nor the Issuer shall have any liability to Securityholders for any delay in the giving of such notice, nor will such delay invalidate the corresponding notice which is deemed to have been given under the Reference CDS.
- 1.9 Nothing in these Asset Terms shall operate to confer on a Securityholder an interest in, or rights under, an actual credit default swap in relation to the Securities. The terms of the Reference CDS are used solely for the purposes of determining the amounts payable and/or deliverable under the Securities, the timing for such payments and deliveries and the other matters specified below.
- 1.10 References in these Asset Terms to any payment, delivery or other event occurring, a determination or election being made, a discretion being exercised or a notice being given under or in connection with the Reference CDS shall be construed as if they were references to a determination by the Calculation Agent that the same should be deemed to have been made, exercised or given.
- 1.11 Market and regulatory developments affecting credit derivative transactions have in the past and may in the future lead to changes in the documentation or settlement of credit derivative transactions. In some cases market participants may elect to apply such revised terms to some or all of the existing transactions entered into between them. Where the Issuer, or any of its affiliates, elects to apply such terms to transactions under which it has hedged, in whole or in part, the risks and rewards associated with the Securities, the Calculation Agent shall be entitled (but not obliged), without the consent of the Securityholders, to apply such terms to the Reference CDS and to make such consequential changes to the terms of the Reference CDS and/or these Asset Terms as it in its absolute discretion considers appropriate to reflect such terms.

2. REDEMPTION

2.1 Redemption at Maturity

Unless previously redeemed, or purchased by the Issuer and cancelled, and provided that an Event Determination Date has not occurred either

- (i) (if no Extended Maturity Period is in effect on the Maturity Date) on or prior to the Maturity Date or
- (ii) (if a Extended Maturity Period is in effect on the Maturity Date) on or prior to the expiration of such Extended Maturity Period,

each Security shall be redeemed by the Issuer at its Outstanding Nominal Amount, in the case of (i), on the Maturity Date or, in the case of (ii), on the second Business Day following the earlier of: (A) the last day of the Extended Maturity Period as determined in accordance with Asset Term 3.7, and (B) such earlier date as the Issuer may determine in its sole and absolute discretion.

2.2 Settlement and reduction in Outstanding Nominal Amount following the occurrence of an Event Determination Date

The provisions below of this Asset Term 2.2 apply on each occasion that an Event Determination Date occurs under the Reference CDS.

On each Event Determination Date the Outstanding Nominal Amount of each Security will be reduced by an amount equal to the applicable Credit Event Writedown Amount for such Security.

The provisions of this Asset Term 2.2 and the following provisions of this Asset Term 2 may apply on multiple occasions.

- (a) **If Physical Settlement is specified in the Reference CDS as the Settlement Method, or becomes applicable thereunder as the Fallback Settlement Method**, and subject to Asset Terms 2.2(d), 2.2(f) and 2.9 below, on or prior to the second Business Day following the date on which the Notice of Physical Settlement Condition to Settlement is satisfied under the Reference CDS, the Calculation Agent, acting on behalf of the Issuer, will use reasonable endeavours to give a copy of the Notice of Physical Settlement to the Securityholders (and the relevant date of such notice being the "**Delivery Notice Date**"), setting out the details of the obligations comprising the Portfolio; and the provisions of Asset Term 2.3, 2.4, 2.5 and 2.6 shall apply. If the Calculation Agent determines that a NOPS Amendment Notice has been delivered under the Reference CDS, the Calculation Agent shall promptly give a copy thereof to the Issuer and will use reasonable endeavours to give a copy of the Notice of Physical Settlement to the Securityholders.
- (b) **If Cash Settlement is specified in the Reference CDS as the Settlement Method, or becomes applicable thereunder as the Fallback Settlement Method**, and subject to Asset Terms 2.2(f) and 2.9 below on the applicable Credit Event Settlement Date the Issuer shall pay to each Securityholder the relevant Credit Event Settlement Amount related to each Security.
- (c) **If Auction Settlement is specified in the Reference CDS as the Settlement Method and an Auction Final Price Determination Date occurs**, then subject to Asset Terms 2.2(f) and 2.9 below, on the applicable Credit Event Settlement Date, the Issuer shall pay to each Securityholder the relevant Credit Event Settlement Amount related to each Security.

- (d) **If (1) Physical Settlement is specified in the Reference CDS as the Settlement Method, or becomes applicable thereunder as the Fallback Settlement Method and (2) "Cash Redemption of Securities" is specified as Applicable in the Issue Specific Terms** then, subject to Asset Terms 2.2(f) and 2.9 below:
- (i) on or prior to the second Business Day following the date on which the Notice of Physical Settlement Condition to Settlement is satisfied under the Reference CDS, the Calculation Agent, acting on behalf of the Issuer, will use reasonable endeavours to give a copy of the Notice of Physical Settlement to the Securityholders (and the relevant date of such notice being the "**Delivery Notice Date**"), setting out the details of the obligations comprising the Portfolio. If the Calculation Agent determines that a NOPS Amendment Notice has been delivered under the Reference CDS, the Calculation Agent shall promptly give a copy thereof to the Issuer and will use reasonable endeavours to give a copy of the Notice of Physical Settlement to the Securityholders
 - (ii) the Calculation Agent on behalf of Buyer shall determine, with respect to each Deliverable Obligation, the corresponding Delivery Date under the Reference CDS. In doing so it may have regard to any corresponding deliveries which are due to be made under any transactions entered into by the Issuer or any Affiliate to hedge the obligations of the Issuer in respect of the Securities.
 - (iii) the Calculation Agent shall, in respect of each Deliverable Obligation, seek to determine the market value of such Deliverable Obligation on or about, but in any event no later than the third Business Day after the relevant Delivery Date of that Deliverable Obligation by requesting each of at least three dealers in the relevant market to provide its all-in bid price (expressed as a percentage of par, the "**Market Value Percentage**") to purchase the outstanding principal balance (or, if applicable under the Reference CDS, Due and Payable Amount) of the relevant Deliverable Obligation.
 - (iv) for the purpose of making such requests, the Calculation Agent may, in its sole and absolute discretion (but, for the avoidance of doubt, shall never be obliged to):
 - (A) request prices from a dealer (which may include the Issuer and/or its Affiliates) from which the Issuer and/or its Affiliates has requested or will contemporaneously request prices in connection with other notes, transactions or proprietary holdings unrelated to these Securities or otherwise;
 - (B) request prices from dealers (which may include the Issuer and/or its Affiliates) either orally, by electronic messaging (including, without limitation, E-mail, Bloomberg or Reuters), by facsimile, courier or post;
 - (C) request prices for a Deliverable Obligation with a outstanding principal balance (or, if applicable under the Reference CDS, Due and Payable Amount) which is equal to or less than, but not less than 5% of, the corresponding amount applicable under the Reference CDS; and
 - (D) rather than making separate requests for all-in bid prices for the purposes of this provision, rely on a request or requests which were

made in connection with other notes, transactions or proprietary holdings or otherwise unrelated to these Securities (with each such request constituting a request hereunder for the purposes of the Securities).

- (v) Each price provided and/or determined in accordance with this paragraph shall be a "**Quotation**".
- (vi) If more than three Quotations are provided or determined (as the case may be) in respect of a Deliverable Obligation, the Calculation Agent shall disregard the highest and lowest Quotations and the respective Market Value Percentage for such Deliverable Obligation shall be the arithmetic mean of the remaining Quotations. If three Quotations are provided in respect of a Deliverable Obligation, the Calculation Agent shall disregard the highest and lowest Quotations and the respective Market Value Percentage for such Deliverable Obligation shall be the remaining Quotation. If more than one Quotation in respect of a Deliverable Obligation has the same highest or lowest value, then the Calculation Agent shall disregard one such Quotation. If two Quotations only are provided, the respective Market Value Percentage for such Deliverable Obligation shall be the arithmetic mean of such Quotations. If one Quotation only is provided, the respective Market Value Percentage for such Deliverable Obligation shall be such Quotation. If no Quotation is provided, the respective Market Value Percentage for such Deliverable Obligation shall be determined by the Calculation Agent in its absolute discretion.
- (vii) Following the determination of the Market Value Percentage in respect of each Deliverable Obligation, the Calculation Agent shall then calculate the value (expressed as a percentage, the "**Average Market Value Percentage**") equal to:
 - (A) the sum for each Deliverable Obligation of the product of (x) the relevant Market Value Percentage and (y) the outstanding principal balance (or, if applicable under the Reference CDS, Due and Payable Amount) of such Deliverable Obligation at the time of determination of such Market Value Percentage; divided by
 - (B) the sum for all Deliverable Obligations of their outstanding principal balance (or, if applicable under the Reference CDS, Due and Payable Amount), in each case as at the time of determination of their respective Market Value Percentage.
- (viii) On the Credit Event Settlement Date, the Issuer shall pay to the Securityholders the Credit Event Settlement Amount related to each Security.
- (e) Where the Credit Event relates to a Reference Entity which is a Successor (such entity, the "**Applicable Entity**") so that multiple Classes of the Securities exist pursuant to Asset Term 4), then:
 - (i) the provisions of Asset Terms 2.2 to 2.11 inclusive and Asset Term 3 shall apply only in respect of the relevant Class(es) of Securities for which the Applicable Entity is a Reference Entity;

- (ii) the relevant Class(es) of such Securities shall be partially redeemed upon the satisfaction of the Issuer's obligations under Asset Terms 2.2 to 2.11 inclusive and Asset Term 3;
 - (iii) the Securities comprising each Class for which the Applicable Entity is not a Reference Entity shall remain outstanding unless and until otherwise redeemed in accordance with the Conditions, these Asset Terms and the Issue Specific Terms and shall continue to accrue interest, if applicable; and
 - (iv) all references to "the Securities" in Asset Terms 2.2 to 2.11 inclusive and Asset Term 3 shall be read and construed as references to "the relevant Class(es) of Securities for which the Applicable Entity is a Reference Entity".
- (f) **Settlement Deferral**
- (i) This Asset Term 2.2(f) applies only if "Settlement Deferral" is specified as applicable in the Issue Specific Terms.
 - (ii) Notwithstanding the occurrence of an Event Determination Date and, if applicable, a Settlement Date (and the other settlement provisions) under the Reference CDS, on or prior to the Deferred Settlement Date, any payment or delivery to Securityholders which would be required under this Asset Term 2 on a date prior to the Deferred Settlement Date will be deferred to the Deferred Settlement Date specified in the Issue Specific Terms.
 - (iii) In such circumstances:
 - (A) the amounts which (subject to Asset Terms 2.4 and 2.5) are payable and/or deliverable under the Securities will continue to be determined by reference to the settlement provisions of the Reference CDS, and at the times and in the manner provided for therein and in these Asset Terms;
 - (B) the Outstanding Nominal Amount of each Security shall continue to be reduced by the applicable Credit Event Writedown Amount with effect from and including the Event Determination Date;
 - (C) the references in Asset Terms 2.2(a) (and corresponding references) to the "Delivery Notice Date" shall be construed as references to such Deferred Settlement Date;
 - (D) the references in these Asset Terms 2.2 to the "Credit Event Settlement Date" shall be construed as references to the later of (1) such Credit Event Settlement Date and (2) such Deferred Settlement Date;
 - (E) the Calculation Agent shall make such other amendments to the Conditions as it considers appropriate or necessary to give effect to the foregoing.
 - (iv) On the Deferred Settlement Date, in addition to any other amounts payable or deliverable hereunder, the Issuer shall pay in respect of each Deferral Security an amount equal to the product of (a) the Credit Event Settlement Amount of

such Security; (b) the Deferral Rate; and (c) the Deferral Day Count Fraction. For these purposes:

- (A) **"Deferral Period"** means the period from and including the Credit Event Settlement Date, which would have applied but for the amendment referred to in Asset Term 2.2(f)(iii)(D) above, to but excluding the Deferred Settlement Date;
- (B) **"Deferral Rate"** means, in respect of the Deferral Period, the rate determined in accordance with the Issue Specific Terms; and
- (C) **"Deferral Day Count Fraction"** means, in respect of the Deferral Period, the fraction specified in the Issue Specific Terms; and
- (D) **"Deferral Security"** means a Security in respect of which the provisions of Asset Terms 2.2(b), 2.2(c) or 2.2(d) apply.

For the avoidance of doubt, no additional payments shall be made, or compensation otherwise provided, in respect of any Security in respect of which the provisions of Asset Term 2.2(a) apply.

- (v) The provisions of this Asset Term 2.2(f) may apply on multiple occasions.

2.3 Delivery in respect of Physical Settlement

- (a) The Issuer or its Designated Affiliate shall deliver, in accordance with the applicable provisions of this Asset Term 2.3, to each Securityholder, or to such party as such Securityholder may specify, of the portion of the Portfolio equal to the proportion which the aggregate Outstanding Nominal Amount of the Securities of such Securityholder as of the Delivery Notice Date bears to the Aggregate Nominal Amount of all the Securities outstanding on the Delivery Notice Date (x) reduced by an amount of Deliverable Obligations comprised within the Portfolio determined by the Calculation Agent, in its sole and absolute discretion, to equal in value the Delivery Expenses in respect of such proportion of the Portfolio and (y) rounded down to the nearest integral authorised denomination of the relevant Deliverable Obligation(s) to be delivered, all as determined by the Calculation Agent in its sole and absolute discretion, and irrespective of whether the relevant Credit Event is continuing; subject to the provisions of this Asset Term 2.3 and the provisions of Asset Terms 2.4, 2.5, 2.6 and 2.9. If the Outstanding Nominal Amount or Aggregate Nominal Amount has been reduced to zero as a consequence of the relevant Event Determination Date, each shall be deemed, for the purposes only of determining the proportion above, to have their respective values immediately prior to such reduction.
- (b) If the Calculation Agent determines that it is not practicable to deliver in respect of each Security of a particular Denomination an identical Outstanding Amount of each Deliverable Obligation comprised in the Portfolio it may in its sole and absolute discretion elect that the Deliverable Obligations (and in which Outstanding Amount) to be delivered in respect of each Security shall be determined by lot.
- (c) The procuring of delivery of Deliverable Obligations pursuant to Asset Term 2.3(a) above shall be effected in such commercially reasonable manner as the Issuer shall, in its sole and absolute discretion, determine to be appropriate and customary for such

delivery and settlement of the applicable Deliverable Obligation in order to convey all right, title and interest to the relevant Securityholder free and clear of any liens, charges, claims or encumbrances created or incurred by the Issuer or any of its Affiliates, but subject to any applicable counterclaim or defence of a Reference Entity.

- (d) The Issuer shall deliver each Deliverable Obligation on or prior to the date (the "**Securities Physical Settlement Date**") which falls on the tenth Business Day after the Physical Settlement Date under the Reference CDS, provided that if the Calculation Agent determines, in its sole and absolute discretion, that any of the circumstances described in Asset Terms 2.4(a)(i), 2.4(a)(ii) or 2.4(a)(iii) apply in respect of a Deliverable Obligation, the obligation to procure the delivery and settlement of such Deliverable Obligation as provided above shall be deferred until such time that such circumstances cease to exist (subject to Asset Term 2.4 and 2.5).
- (e) Notwithstanding the foregoing, in the case of a Deliverable Obligation which is a Loan, the Issuer and the Securityholders agree to comply, for the purposes of settlement of the relevant Securities, with the provisions of any documentation (which term shall be deemed to include any market advisory that the relevant Credit Derivatives Determinations Committee Resolves to approve for such purpose) that the relevant Credit Derivatives Determinations Committee Resolves constitutes documentation customarily used in the relevant market for delivery of such Loan at that time, as such documentation may be amended to the extent that the relevant Credit Derivatives Determinations Committee Resolves is appropriate, which is consistent with the payment and delivery obligations of the parties hereunder. The Issuer and the Securityholders further agree that compliance by the Issuer and the Securityholders with the provisions of any such documentation shall be required for, and, without further action, constitute, delivery for the purposes of this Asset Term 2.3 (to the extent that such documentation contains provisions describing how delivery should be effected).
- (f) The Issuer's obligation to procure the delivery of Deliverable Obligations to Securityholders shall not require or oblige the Issuer and/or any of its Affiliates to:
 - (i) open any account for the purpose of any such delivery or to arrange any other formality or other action to be taken with respect to such delivery or
 - (ii) arrange for or effect delivery to a trustee or fiduciary to hold Deliverable Obligations on behalf of the Securityholders.
- (g) It shall be the responsibility of the relevant Securityholder to open any account for the purpose of any delivery of Deliverable Obligations or to arrange any other formality or other action to be taken with respect to such delivery.
- (h) Delivery of the relevant portion of the Portfolio in the manner provided above will be at the risk of the relevant Securityholder.
- (i) To the extent that the Deliverable Obligations consist of a Qualifying Guarantee, the Issuer's obligation to deliver such Deliverable Obligation shall be satisfied by delivering the Underlying Obligation along with the benefit of the Qualifying Guarantee.
- (j) As a precondition to the delivery of the relevant portion of the Portfolio to a Securityholder in the manner provided in this Asset Term 2.3, the relevant Securityholder must deliver to the Fiscal Agent, at the address specified in the Issue

Specific Terms (or such other address as the Issuer may notify to Securityholders, from time to time, in accordance with Asset Term 11) no later than 5.00 p.m., London time on the fifth Business Day following the Delivery Notice Date:

- (i) a duly completed Asset Delivery Notice substantially in the form set out in the pro-forma Asset Delivery Notice attached to the Issue Specific Terms (the "**Asset Delivery Notice**") a copy of which may be obtained from the Paying Agent; and
 - (ii) in the case of those Securityholders to whom definitive Securities had been made available or sent in accordance with General Condition 2, such definitive Securities.
- (k) The Asset Delivery Notice must be delivered in writing.
- (l) If the relevant definitive Securities (if they are then so represented) and the Asset Delivery Notice are not delivered in accordance with this provision, the obligations of the Issuer to commence procuring the delivery of the relevant portion of the Portfolio to such Securityholder shall, subject to Asset Term 2.3, 2.4 and 2.9 be deferred until the third Business Day following the date on which such Securityholder delivers the Asset Delivery Notice. The relevant Securityholder shall not be entitled to any payment, whether of interest or otherwise, in the event of such deferred delivery.
- (m) On receipt of such Securities and Asset Delivery Notice the Fiscal Agent shall issue to the holder of the Securities as a receipt for such Securities a copy of such Asset Delivery Notice duly acknowledged on behalf of the Fiscal Agent and shall deliver to the Custodian, the Calculation Agent, the Issuer and, in the case of Registered Securities, the Registrar a copy of such Asset Delivery Notice as soon as practicable after receipt thereof. A copy of the Asset Delivery Notice shall act as a receipt for both the Securities and the Asset Delivery Notice. Such copy shall be non-transferable and shall be prima facie evidence of entitlement of the person named therein to the relevant portion of the Portfolio in respect of the Securities specified therein. However, the records of the Fiscal Agent shall be conclusive evidence of such entitlement.
- (n) Securityholders should note, in relation to Securities held in Euroclear or Clearstream, Luxembourg, that such Securities will be presented and the Asset Delivery Notice in respect thereof delivered, on behalf of Securityholders by Euroclear or Clearstream, Luxembourg, as the case may be, and that holders of Securities held in Euroclear or Clearstream, Luxembourg will be required to instruct Euroclear or Clearstream, Luxembourg, as the case may be, to present such Securities and to deliver such Asset Delivery Notice not later than 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Clearance System Business Day prior to the date on which such Asset Delivery Notice is to be delivered. For these purposes, "**Clearance System Business Day**" means a day on which Euroclear and Clearstream, Luxembourg are open for business.
- (o) The Asset Delivery Notice referred to in Asset Term 2.3(j) must:
 - (i) specify the name and address of the relevant Securityholder and the person from whom the Issuer may obtain details for the transfer or assignment of the relevant portion of the Portfolio and specify the account details for payment in

the Specified Currency as set out in the Issue Specific Terms to the relevant Securityholder (in case such payment should be required);

- (ii) authorise the production of such notice in any applicable administrative or legal proceedings;
 - (iii) if the Securities are in bearer form, include or be accompanied by evidence, satisfactory to the Calculation Agent, of the ownership of the Securities by the relevant Securityholder; and
 - (iv) include a covenant from the Securityholder to comply with the provisions of Asset Term 13.2 below, and authorising and instructing the Clearing System to disclose to the Issuer the Securityholder's account and other details.
- (p) Failure to properly complete and deliver such notice will result in such notice being null and void for the purposes of Asset Term 2.3(j) above. Any determination as to whether such notice has been properly completed and delivered as provided in the General Conditions and/or the Issue Specific Terms shall be made by the Calculation Agent, in its sole and absolute discretion, and shall be conclusive and binding on the Issuer and the relevant Securityholder. The Asset Delivery Notice is irrevocable and may not be withdrawn after receipt thereof by the Issuer.
- (q) None of the Issuer, its Affiliates or any other such person shall, prior to or following the delivery of Deliverable Obligations in accordance with the Conditions, be under:
- (i) any obligation to deliver or procure the delivery to any Securityholder, or any subsequent beneficial owner of the relevant Deliverable Obligations, of any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such Deliverable Obligations;
 - (ii) any obligation to exercise or procure exercise of any or all rights (including, without limitation, voting rights) attaching to the relevant Deliverable Obligations; or
 - (iii) any liability to any Securityholder or any subsequent beneficial owner of the relevant Deliverable Obligations in respect of any loss or damage which such Securityholder or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of the Deliverable Obligations.
- (r) ***Additional Physical Settlement provisions***
- (i) If Physical Settlement is specified in the Reference CDS as the Settlement Method, or becomes applicable as the Fallback Settlement Method, and in either case the Calculation Agent determines that the provisions of Section 9.3 of the Credit Derivatives Definitions would apply under the Reference CDS, the Issuer will satisfy its obligations under this Asset Term in part in accordance with the provisions of Asset Term 2.2(a) or 2.2(d) as applicable and (to the extent of the "Undeliverable Obligations", as such term is defined in Section 9.8 of the Credit Derivatives Definitions) in accordance with the provisions of Asset Term 2.2(b). The Calculation Agent shall make such adjustments to these

Asset Terms as it deems necessary to give effect to the same, having regard (without limitation) to the Partial Cash Settlement Terms set out at Section 9.8 of the Credit Derivatives Definitions.

- (ii) If Physical Settlement is specified in the Reference CDS as the Settlement Method, or becomes applicable as the Fallback Settlement Method, and in either case the Calculation Agent determines that the provisions of Section 9.9 of the Credit Derivatives Definitions would apply under the Reference CDS, the Calculation Agent shall make such adjustments to the Conditions as it deems necessary to give effect to the same.
- (iii) If the Calculation Agent determines that the Termination Date would occur under the Reference CDS as a consequence of the provisions of Section 11.3 of the Credit Derivatives Definitions the Calculation Agent shall make such adjustments to the Conditions as it deems necessary to give effect to the same.
- (iv) This Asset Term 2.3(r) applies only with respect to physical settlement under the Reference CDS, and without prejudice to the operation of Asset Terms 2.4 and 2.5 below which relate to the delivery of Deliverable Obligations to Securityholders.

2.4 Alternative Settlement in respect of Physical Settlement

- (a) Subject to Asset Term 2.5 and Asset Term 2.6 if, in the determination of the Calculation Agent, acting on behalf of the Issuer:
 - (i) due to circumstances beyond the control of the Issuer, it is or would be impossible, illegal or in breach of any restriction (whether regulatory, fiduciary or contractual) which may be claimed by any person, for the Issuer or Designated Affiliate to obtain in order to deliver or deliver some or all of the Deliverable Obligations forming part of the Portfolio to a Securityholder or Securityholders (each an **"Affected Securityholder"**), including, but not limited to, circumstances in which the Issuer or Designated Affiliate is or would be unable to obtain or deliver Deliverable Obligations as a result of a Settlement Disruption Event subsisting or due to any law, regulation or court order;
 - (ii) due to circumstances beyond the control of the Issuer, it is or would be impracticable (whether on grounds of illiquidity or otherwise) for the Issuer or Designated Affiliate to obtain in order to deliver or deliver some or all of the Deliverable Obligations forming part of the Portfolio to a Securityholder or Securityholders and/or it is not commercially reasonable for the Issuer or Designated Affiliate to make such delivery (each also an **"Affected Securityholder"**) as provided in Asset Term 2.3; and/or
 - (iii) due to circumstances within the control of the relevant Securityholder (including, without limitation, its failure to take delivery of the Deliverable Obligations), the Issuer or Designated Affiliate is unable to arrange, or conditions are not fulfilled, for the delivery of some or all of the Deliverable Obligations forming part of the Portfolio to such Securityholder or Securityholders (each also an **"Affected Securityholder"**),

and such circumstances continue for a period ending on the sixtieth (60th) Business Day following the Securities Physical Settlement Date (the "**Delivery Cut-Off Date**"), then:

- (A) the Issuer shall have no further delivery obligations under the Securities to the Affected Securityholder(s) with respect to those Deliverable Obligations the delivery of which to such Affected Securityholder is affected by circumstances described in (i), (ii) and/or (iii) above (each such Deliverable Obligation an "**Undeliverable Obligation**" with respect to such Affected Securityholder) and the Calculation Agent, acting on behalf of the Issuer, shall, on the Business Day following the Delivery Cut-Off Date, designate a Business Day (the "**Undeliverable Obligation Valuation Date**") within five Business Days of the Delivery Cut-Off Date;
 - (B) the Issuer will pay to each Affected Securityholder in accordance with the Asset Delivery Notice within five Business Days following the Undeliverable Obligation Valuation Date the respective Affected Securityholder Cash Settlement Amount irrespective of whether the relevant Credit Event and the circumstances described in (i), (ii) and/or (iii) above are continuing; and
 - (C) If the Outstanding Nominal Amount of the Securities of an Affected Securityholder immediately after the relevant Event Determination Date is zero then, upon such payment being made by the Issuer in respect of all Undeliverable Obligations, the Issuer will be discharged from its obligations and liabilities under the Securities to the Affected Securityholder and the Securities of the Affected Securityholder will be cancelled.
- (b) For the purposes of determining the Affected Securityholder Cash Settlement Amount, the Calculation Agent shall determine the value ("**Value**") of the Outstanding Amount of each Undeliverable Obligation comprised within the Portfolio by requesting each of at least three dealers (which may include the Issuer and/or its Affiliates) in the relevant market to provide its all-in bid price, in the Specified Currency as set out in the Issue Specific Terms, to purchase on the Undeliverable Obligation Valuation Date a nominal amount of each Undeliverable Obligation.

For the purpose of making such requests, the Calculation Agent may, in its sole and absolute discretion (but, for the avoidance of doubt, shall never be obliged to):

- (i) request all-in bid prices from a dealer (which may include the Issuer and/or its Affiliates) from which the Calculation Agent and/or its Affiliates has requested or will contemporaneously request prices in connection with other notes, transactions or proprietary holdings unrelated to these Securities or otherwise;
- (ii) request all-in bid prices from dealers (which may include the Issuer and/or its Affiliates) either orally, by electronic messaging (including, without limitation, E-mail, Bloomberg or Reuters), by facsimile, courier or post;
- (iii) request all-in bid prices for a type of Undeliverable Obligation in a nominal amount which is equal to or less than, but not less than 5% of, the Outstanding Amount of such Undeliverable Obligation comprised within the Portfolio; and

- (iv) rather than making separate requests for all-in bid prices for the purposes of this provision, rely on a request or requests which were made in connection with other securities, transactions or proprietary holdings or otherwise unrelated to these Securities (with each such request constituting a request hereunder for the purposes of the Securities).

In the event that the Calculation Agent receives an all-in bid price for an Outstanding Amount of the Undeliverable Obligation that differs from the Outstanding Amount of that Undeliverable Obligation comprised within the Portfolio it shall determine the all-in bid price for the Outstanding Amount of such Undeliverable Obligation comprised within the Portfolio as a pro rata amount of the price obtained.

Each all-in bid price provided and/or determined in accordance with this paragraph shall be a "**Quotation**".

- (c) If, following the Calculation Agent's request, more than three Quotations are provided or determined (as the case may be) in respect of an Undeliverable Obligation, the Calculation Agent shall disregard the highest and lowest Quotations and the respective Value for such Undeliverable Obligation shall be the arithmetic mean of the remaining Quotations. If three Quotations are provided in respect of an Undeliverable Obligation, the Calculation Agent shall disregard the highest and lowest Quotations and the respective Value for such Undeliverable Obligation shall be the remaining Quotation. If more than one Quotation in respect of an Undeliverable Obligation has the same highest or lowest value, then the Calculation Agent shall disregard one such Quotation. If two Quotations only are provided, the respective Value for such Undeliverable Obligation shall be the arithmetic mean of such Quotations. If one Quotation only is provided, the respective Value for such Undeliverable Obligation shall be such Quotation. If no Quotation is provided, the respective Value for such Undeliverable Obligation shall be determined by the Calculation Agent in its absolute discretion.
- (d) The "**Affected Securityholder Cash Settlement Amount**" for an Affected Securityholder shall be the sum of each Affected Securityholder Value for each Undeliverable Obligation comprised within the Portfolio.
- (e) The "**Affected Securityholder Value**" for an Affected Securityholder in respect of an Undeliverable Obligation or amount of Undeliverable Obligations of the same type, shall be the product of the respective Affected Securityholder Proportion and the Value for such Undeliverable Obligation or amount of Undeliverable Obligations of the same type.
- (f) The "**Affected Securityholder Proportion**" for an Affected Securityholder in respect of an Undeliverable Obligation or amount of Undeliverable Obligations of the same type, shall be the proportion which the Outstanding Amount of such Undeliverable Obligation(s) which would otherwise be deliverable to such Affected Securityholder bears to the aggregate Outstanding Amount of such Undeliverable Obligations comprised in the Portfolio.

2.5 Optional Physical Settlement in case of an Alternative Settlement

- (a) If specified as being applicable in the Issue Specific Terms, the Securityholder(s) shall have the option, as an alternative to receiving the Affected Securityholder Cash Settlement Amount in accordance with Asset Term 2.4, to request on the Business Day

following the Delivery Cut-Off Date, that the Issuer or the Designated Affiliate shall, from time to time, deliver to the Securityholder(s) any amounts received by it in respect of such Undeliverable Obligations during the period commencing on the Event Determination Date and expiring on the Business Day which is 5 years after the Delivery Notice Date (the "**Alternative Settlement End Date**"), provided that such amounts received are able to be transferred to the Securityholder(s).

- (b) On the Alternative Settlement End Date the Calculation Agent shall designate a Business Day (the "**5 Year Valuation Date**") within five Business Days following the Alternative Settlement End Date and the Issuer will pay to the Securityholder(s) the Affected Securityholder Cash Settlement Amount (provided that for the purposes of calculating the Affected Securityholder Cash Settlement Amount, Undeliverable Obligation Valuation Date shall mean the 5 Year Valuation Date), on the fifth Business Day following the 5 Year Valuation Date, determined by means of requesting quotes from dealers as more particularly set out in the Issue Specific Terms and after taking account of any deliveries or payments made by the Issuer or its Designated Affiliates prior to the Alternative Settlement End Date pursuant to this Asset Term 2.5, provided that if the Issuer or its Designated Affiliate, at any time before the Alternative Settlement End Date, is able to make delivery of some or all of the Undeliverable Obligations and any amounts received in respect thereof the Issuer or its Designated Affiliate, may, or if it is requested by the Affected Securityholder(s), shall use reasonable endeavours to deliver such Undeliverable Obligation(s) and any amounts received in respect thereof to the Affected Securityholder(s).
- (c) If the Calculation Agent, in its sole and absolute discretion, determines on any due date for payment under Asset Term 2.5 that a Non-Convertibility Condition exists (the "**Non-Convertibility Condition Determination Date**") then the Issuer shall satisfy the relevant payment obligations by paying to the Securityholders (pro-rata according to the Outstanding Nominal Amount of Securities held by each Securityholder), on such due date an amount in the currency in which the relevant Undeliverable Obligation is denominated equal to any payment a Hypothetical Holder receives on or around such date, including any interest, fees or principal repayments that such Hypothetical Holder receives by virtue of holding the relevant Undeliverable Obligation, less any Regulatory Change Costs (if any); provided that if, prior to the payment of such amount, an event beyond the control of the Issuer exists as a result of which the Issuer cannot make payment of such amount in a commercially reasonable manner, then payment shall be postponed (without the accrual of interest thereon) until such event ceases to exist. If such condition still exists on the Business Day which is 5 years after the Non-Convertibility Condition Determination Date, then the Issuer's outstanding obligations to pay such amount in the currency in which the relevant Undeliverable Obligation is denominated will be deemed to be discharged in full.
- (d) For these purposes,
 - (i) "**Hypothetical Holder**" means a hypothetical holder of the relevant Undeliverable Obligation in an amount equal to the outstanding principal balance (of, if applicable under the Reference CDS, Due and Payable Amount) of such Undeliverable Obligation comprised in the Portfolio. The Hypothetical Holder shall be deemed to be resident for tax and other purposes in the same jurisdiction as the Issuer or any Designated Affiliate.

- (ii) **"Non-Convertibility Condition"** means, in the opinion of the Calculation Agent, in its sole and absolute discretion, a condition created by or resulting from any action of or failure to act by any Governmental Authority, or a local market condition that has the effect of prohibiting, restricting or materially delaying the exchange of the currency in which an Undeliverable Obligation is denominated for the Specified Currency, or the free and unconditional transferability of the resulting Specified Currency, or the free and unconditional transfer of the currency in which such Undeliverable Obligation is denominated between non-resident accounts, when compared to the position on the Trade Date.

2.6 Alternative Settlement for Certain Loans in respect of Physical Settlement

- (a) If the Issuer is unable to deliver by way of assignment or novation certain Loan(s) comprising the Portfolio ("**Undeliverable Loan Obligation(s)**") due to the non-receipt of any requisite consents and such consents are not obtained or deemed given by the 30th day after the Securities Physical Settlement Date, the Issuer shall be released from any obligation to deliver such Undeliverable Loan Obligation and the Issuer shall, from time to time, deliver to each Securityholder any amounts received by it in respect of the Undeliverable Loan Obligation(s) during the period commencing on the Event Determination Date and expiring on the Business Day which is 1 year after the Securities Physical Settlement Date ("**End Date**"), provided that such amounts received are able to be transferred to the Securityholder(s). On the End Date the Issuer shall be released from its requirement to perform any outstanding or future (contingent or otherwise) obligation with respect to the Undeliverable Loan Obligations. If the Outstanding Nominal Amount of the Securities of an Affected Securityholder on the End Date is zero the Securities shall be cancelled forthwith on the End Date;
- (b) If the Issuer or its Designated Affiliate, at any time before the End Date, obtains or is deemed to be given consent to assign or novate any outstanding Undeliverable Loan Obligation(s) the Issuer or its Designated Affiliate may, or if it is requested by the Securityholder, shall use reasonable endeavours to, assign or novate such Undeliverable Obligation(s) to the Securityholder(s). If the Outstanding Nominal Amount of a Security at the time of such assignment or novation is zero then, upon such assignment or novation (or, if applicable, following the use of reasonable endeavours by the Issuer or its Designated Affiliate to procure such assignment or novation), the Security shall be cancelled forthwith and all obligations (outstanding or otherwise) of the Issuer with respect to the Security shall be immediately discharged thereafter.

2.7 Discharge and Cancellation following Outstanding Nominal Amount reduction to zero

If the Outstanding Nominal Amount of a Security is reduced to zero on an Event Determination Date then, upon the performance by the Issuer of its obligations under these Asset Terms with respect to such Event Determination Date and all prior occurring Event Determination Dates, the Issuer will be discharged from its obligations and liabilities to the Securityholder in respect of such Security, and such Security will forthwith be cancelled by the Paying Agent.

2.8 Performance of Issuer Obligations

Any obligation of the Issuer may be performed by its Designated Affiliate or any of its Affiliates or a person designated by the Issuer. If a Designated Affiliate and/or an Affiliate of the Issuer and/or a designee performs the obligations of the Issuer

hereunder, the Issuer shall be discharged of its obligations to the extent of such performance.

2.9 Settlement Suspension

- (a) If Settlement Suspension occurs under Section 6.5 of the Credit Derivatives Definitions, the timing requirements of this Asset Term 2 and the definitions of "Cash Settlement Date", "Delivery Notice Date" and "Valuation Date" and any other provision or definition of these Asset Terms pertaining to settlement as determined by the Calculation Agent acting in its sole discretion, shall toll and remain suspended for so long as Settlement Suspension continues under Section 6.5 of the Credit Derivatives Definitions.
- (b) The Calculation Agent shall make such adjustments to the accrual and payment of interest under the Securities as it shall consider necessary to give effect to the foregoing, which adjustments shall be binding upon the Issuer and the Securityholders.

2.10 DC Resolutions

Neither the Issuer nor any Affiliate shall have any duty to monitor or to notify Securityholders of the announcement by ISDA of any DC Resolution with respect to the Reference CDS.

2.11 Credit Event Notice after Restructuring Credit Event

If, pursuant to Section 3.9 of the Credit Derivatives Definitions, an Event Determination Date occurs with respect to a Reference Entity where the related Credit Event Notice delivered by Calculation Agent on behalf of Seller (subject to Asset Term 8.4) or Buyer specifies an "Exercise Amount" (as defined therein) that is less than the then Reference Entity Notional Amount of such Reference Entity under such Reference CDS, then:

- (a) the provisions of Asset Term 2 shall, with respect to such Event Determination Date, be deemed to apply to the Exercise Amount only;
- (b) the Reference Entity Notional Amount in respect of such Reference Entity shall be deemed to be reduced by the applicable Exercise Amount;
- (c) one or more further Event Determination Dates (and related settlements under the provisions of Asset Term 2) may occur with respect to the applicable Reference Entity; and
- (d) if different Event Determination Dates have been determined with respect to different Credit Event Writedown Amounts of the same Reference Entity, the Calculation Agent will:
 - (i) determine such adjustment(s) to the Issue Specific Terms as may be required to achieve as far as practicable the same economic effect as if each such Credit Event Writedown Amounts were applicable to a separate series of Securities or otherwise reflect or account for the effect of the above provisions of this Asset Term 2.11; and
 - (ii) determine the effective date of such adjustment(s).

2.12 Accrual of interest

- (a) General Condition 4(d) shall be amended by the addition of a new second paragraph as follows:

"Without prejudice to the foregoing, with respect to each Event Determination Date, Interest shall cease to accrue on the amount by which the Outstanding Nominal Amount of a Security is reduced pursuant to Asset Term 2.2 as a consequence of such Event Determination Date from and including the first day of the Interest Period during which such Event Determination Date fell."

- (b) General Condition 4(f) shall be deleted and replaced with the following:

"(f) Calculations

The amount of interest or premium payable in respect of any Security for any period shall be calculated by multiplying the product of the Rate of Interest or Rate of Premium and the Outstanding Nominal Amount of such Security as of the last day of such period (after taking account of any reduction in such Outstanding Nominal Amount on such last day) by the Day Count Fraction, unless an Interest Amount or Premium Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest or premium payable in respect of such Security for such period shall equal such Interest Amount or Premium Amount (or be calculated in accordance with such formula)."

3. MATURITY DATE EXTENSION

- 3.1 In the circumstances described in Asset Terms 3.2 and 3.3 below, the Maturity Date will be postponed and will fall on such date (the "**Extended Maturity Date**") as the Issuer may designate in accordance with such provisions.
- 3.2 If the Termination Date under the Reference CDS would fall after the Maturity Date, the Issuer may designate as the Extended Maturity Date a date falling not later than the fifth Business Day after the Termination Date.
- 3.3 If the Calculation Agent, acting on behalf of the Issuer, reasonably determines:
- (a) that the Termination Date under the Reference CDS may fall after the Scheduled Termination Date under the Reference CDS; or
- (b) (i) that a Credit Event may have occurred on or prior to the Scheduled Termination Date, and (ii) that, if such a Credit Event had occurred, it would be possible for the Conditions to Settlement under the Reference CDS to be satisfied in respect thereof (regardless of whether such Conditions to Settlement under the Reference CDS are in fact satisfied at the time of such determination),

it shall notify the Issuer who may then designate as the Extended Maturity Date a date falling not later than the 14th day after the Scheduled Termination Date.

- 3.4 Any designation of an Extended Maturity Date shall be without prejudice to any of the other provisions of these Conditions (including without limitation the provisions of Asset Term 2

relating to the consequences of an Event Determination Date). The provisions of Asset Terms 3.2 and 3.3 are not mutually exclusive, and an Extended Maturity Date may be specified on more than one occasion with respect to any Securities.

3.5 The Calculation Agent, acting on behalf of the Issuer, will, within ten Business Days of the commencement of a Extended Maturity Period, use reasonable endeavours to give notice to the Securityholders (which notice will be given in accordance with Asset Term 11) of the Extended Maturity Period briefly describing the facts or events which have given rise to such period.

3.6 Without prejudice to the provisions of Asset Term 2, no payment shall be made during the period (the "**Extended Maturity Period**") from and including the scheduled Maturity Date up to but excluding the day as is referred to in 3.7(a) or 3.7(b) of Asset Term 3.7 below.

3.7 If on or prior to:

(a) the Extended Maturity Date; or

(b) if earlier and if specified in the Issue Specific Terms, the Long-Stop Date,

the Conditions to Settlement under the Reference CDS have not been satisfied then, on the second Business Day following such day as is referred to in (a) or (b) as applicable, the Issuer shall pay to the Securityholders an amount equal to any scheduled payment that was due in respect of the Securities plus an additional amount representing interest that has accrued on such scheduled payment during the Extended Maturity Period at the relevant overnight rate for deposits in the Specified Currency.

4. ADDITIONAL PROVISIONS UPON THE OCCURRENCE OF A SUCCESSION EVENT

Where New Credit Derivative Transactions arise under a Reference CDS pursuant to Section 2.2 of the Credit Derivatives Definitions the Securities shall be deemed to be split into a number of "Classes" equal to the number of New Credit Derivative Transactions whereby each Class shall be linked to the related New Credit Derivative Transaction and such New Credit Derivative Transaction shall become the Reference CDS with respect to such Class.

5. NO REQUIREMENT FOR LOSS

Nothing in the General Conditions or the Issue Specific Terms shall require the Issuer to hold the whole or any part of any Reference Obligation at any time and the Issue Specific Terms will apply irrespective of the Issuer's credit exposure to the Reference Entity or the Reference Obligation, and the Issuer need not suffer any loss nor provide evidence of any loss as the result of the occurrence of a Credit Event.

6. TAXATION AND DELIVERY EXPENSES

Notwithstanding any other provisions of the Conditions, the Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Security and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted. For the avoidance of doubt the Issuer shall have no obligation to 'gross up' payments hereunder and shall be entitled to reduce any amount payable by it by, or reduce the amount of Deliverable Obligations deliverable by it by an

amount of any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted. All expenses including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, and/or other taxes or duties arising from the holding, delivery and/or transfer of Obligations or any other assets in connection with the issue or performance of the Securities shall be for the account of the Securityholders (the "**Delivery Expenses**").

7. MODIFICATION AND WAIVER

- 7.1 Notwithstanding the provisions of General Condition 9, the Issuer may, without the consent of the Securityholders, make any modification to any of the Conditions, these Asset Terms or the Issue Specific Terms (including the Reference CDS Confirmation) or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction of incorporation of the Issuer.
- 7.2 Any modification shall be binding on the Securityholders and any modification shall be notified by the Issuer to the Securityholders as soon as practical thereafter in accordance with General Condition 12.

8. CALCULATION AGENT

- 8.1 The Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent provided that it shall at all times maintain a Calculation Agent. Notice of any such termination or appointment will promptly be given to the Securityholders in accordance with General Condition 12.
- 8.2 Subject to the express provisions of the Asset Terms, if any provision of this document permits a determination or calculation to be made by the Calculation Agent, acting in any capacity, during a particular period of time, it may make it at any time during that period and no failure or delay to make it at a particular time within such period shall be deemed to be a waiver of its ability to make it later in that period or in any subsequent period during which it may make it.
- 8.3 Without prejudice to the provisions of Asset Term 1 above, in acting under the Agency Agreement in respect of the Securities, the Calculation Agent is acting solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, any Securityholder, and any determination and/or calculation by the Calculation Agent shall, in the absence of manifest error, be final and binding on the Issuer and the Securityholders.
- 8.4 Determinations by Calculation Agent on behalf of Seller**
- (a) The provisions of this Asset Term 8.4 shall apply in all circumstances where, in the opinion of the Calculation Agent, Seller would be entitled to make (or refrain from making) a determination or calculation, give (or refrain from giving) a notice or exercise (or refrain from exercising) a discretion under the Reference CDS (each, a "**Seller Decision**").
- (b) With respect to any Seller Decision, the Calculation Agent shall deem that Seller has acted (or refrained from acting) under the Reference CDS in accordance with Seller Decision Instructions (as defined below), and shall incur no liability to Securityholder for any loss, cost or expense, howsoever arising, which arises as a consequence of its doing so.

- (c) For these purposes, "**Seller Decision Instructions**" means instructions in writing given to the Calculation Agent by or on behalf of the holders of more than 50% by aggregate Outstanding Notional Amount of the Securities then outstanding, accompanied by evidence satisfactory to the Calculation Agent of such holding. The Calculation Agent, acting in its sole and absolute discretion, shall be entitled to disregard any instructions if, in the opinion of the Calculation Agent:
- (i) such instructions are ambiguous;
 - (ii) such instructions conflict with any of the other provisions of these Asset Terms;
 - (iii) compliance with such instructions may (x) be illegal or contrary to applicable law or regulation; or (y) cause the Calculation Agent to expend or risk its own funds or otherwise incur any actual or potential liability, loss, damage or cost;
 - (iv) such instructions are received at a time which falls less than 2 Business Days prior to the latest date on which such Seller Decision may be made under the terms of the Reference CDS; or
 - (v) it would otherwise be inappropriate, unreasonable or contrary to market practice to act in accordance with such instructions,
- in which case any such instructions shall not constitute Seller Decision Instructions.
- (d) Notwithstanding the foregoing, the Calculation Agent shall have no obligation to consult with, or convene meetings of, Securityholders to consider matters which may be the subject of Seller Decision Instructions.
- (e) Save to the extent of any valid Seller Decision Instructions duly received, the Calculation Agent shall have no duty to take any action on behalf of Seller with respect to any Seller Decision (or to deem that such action has been taken under the Reference CDS) and shall have no liability to any Securityholder for failing to do so, either in a timely manner or at all.
- (f) The Calculation Agent shall, unless otherwise previously instructed in accordance with Seller Decision Instructions and to the extent that there is no conflict with any of the other provisions of these Asset Terms, be entitled, at its sole and absolute discretion, to act in respect of a Seller Decision (without prejudice to the provisions of Asset Term 8.4(g) below) or to deem that Seller has done so under the Reference CDS). If the Calculation Agent elects so to do, it will act in a commercially reasonable manner and in good faith and may (but is not obliged to) have regard to any corresponding matters arising under any transactions entered into by the Issuer or any Affiliate to hedge the obligations of the Issuer under the Securities.
- (g) Unless otherwise previously instructed by Seller Decision Instructions, the Calculation Agent will:
- (i) deem that any Movement Option under the Reference CDS is not exercised by Seller; and
 - (ii) if a DC Credit Event Announcement Date occurs in respect of a Credit Event which is a Restructuring, deem that a Credit Event Notice has not been given by Seller.
- 8.5 Nothing in Asset Term 8.4 shall affect or limit the ability of the Calculation Agent to make (or refrain from making) a determination or calculation, give (or refrain from giving) a notice or

exercise (or refrain from exercising) a discretion under the Reference CDS on behalf of Buyer or as Reference CDS Calculation Agent.

9. SET-OFF

- 9.1 The Issuer may, without prior notice to any person, set off any obligation (whether or not matured and whether or not contingent) owed by any Securityholder to the Issuer or any of its Affiliates (for which purpose the Issuer is acting as agent for its Affiliates) against any matured obligation owed by the Issuer to the relevant Securityholder in respect of a Security, regardless of the place of payment or booking office or currency of either obligation. If either obligation is unliquidated or unascertained, the Issuer may set off in an amount estimated by the Calculation Agent in good faith to be the amount of that obligation. Any payment or delivery obligation in respect of a Security may, at the option of the Issuer, be reduced by the amount of any obligation owed by the holder of such Security to the Issuer or any of its Affiliates accordingly.
- 9.2 This right of set-off is in addition to and not in limitation of any other right or remedy (including any right to set-off, counterclaim or otherwise withhold payment) under applicable law. Nothing in the Conditions will be deemed to create a charge or other security interest.

10. ACKNOWLEDGMENTS AND DISCLAIMERS

- 10.1 The Issuer and the Securityholders agree:
- (a) that no DC Party (as such term is defined in the Rules) and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the Rules and/or any Transaction Auction Settlement Terms, as applicable, shall be liable, whether for negligence or otherwise, to the Issuer or the Securityholders for any form of damages, whether direct, indirect, special, consequential or otherwise, that might arise in connection with such DC Party's performance of its duties, or any advice given by legal counsel or any other third-party professional hired by such DC Party in connection with such DC Party's performance of its respective duties, under the Rules and/or any Transaction Auction Settlement Terms, as applicable, except in the case of fraud or wilful misconduct on the part of such DC Party, legal counsel or other third-party professional, as applicable; provided that, notwithstanding the foregoing, legal counsel or any other third-party professional hired by a DC Party in connection with such DC Party's performance of its duties under the Rules and/or any Transaction Auction Settlement Terms, as applicable, may be still be liable to such DC Party;
 - (b) to waive any claim, whether for negligence or otherwise, that may arise against a DC Party and any legal counsel or other third-party professional hired by such DC Party in connection with such DC Party's performance of its duties under the Rules, except in the case of fraud or wilful misconduct on the part of such DC Party, legal counsel or other third-party professional, as applicable; provided that, notwithstanding the foregoing, legal counsel or any other third-party professional hired by a DC Party in connection with such DC Party's performance of its duties under the Rules and/or any Transaction Auction Settlement Terms, as applicable, may be still be liable to such DC Party;
 - (c) any DC Resolution of the relevant Credit Derivatives Determinations Committee that is, in the sole discretion of the Calculation Agent, relevant to the Securities or would be applicable to the Reference CDS shall, with respect to the Securities, be binding on the

Issuer and the Securityholders to the extent that such DC Resolution is made either by reference to the terms of the Credit Derivatives Definitions or by reference to the terms of any additional provisions published by ISDA and incorporated in the Reference CDS:

- (i) until such time as ISDA publicly announces that such DC Resolution has been reversed by a subsequent DC Resolution of the relevant Credit Derivatives Determinations Committee, if any, (subject to Asset Term 10.1(c)(ii)); and/or
- (ii) unless the effect of such DC Resolution would be to reverse a prior DC Resolution of the relevant Credit Derivatives Determinations Committee, any prior determination by the Calculation Agent or determination that an Event Determination Date has occurred, that has resulted in:
 - (A) the identification of one or more Successors;
 - (B) the identification of one or more Substitute Reference Obligations; or
 - (C) the occurrence of an Auction Final Price Determination Date or to the extent that a Valuation Date, Cash Settlement Date, Auction Settlement Date or redemption of the Securities in full, as applicable, has occurred, in each case, on or prior to the date that ISDA publicly announces such DC Resolution of the relevant Credit Derivatives Determinations Committee);
- (iii) notwithstanding the fact that:
 - (A) the Issue Specific Terms may require such determination to be made by the Calculation Agent; or
 - (B) in order to reach such DC Resolution, the relevant Credit Derivatives Determinations Committee may be required to Resolve one or more factual matters before being able to reach such DC Resolution; and
- (iv) notwithstanding any actual or perceived conflict of interest on the part of a DC Party, legal counsel or other third-party professional hired by such DC Party in connection with such DC Party's performance of its duties under the Rules;
- (d) that no DC Party is:
 - (i) under any obligation to research, investigate, supplement, or verify the veracity of, any information on which the relevant Credit Derivatives Determinations Committee bases its decision; or
 - (ii) acting as a fiduciary for, or as an advisor to, the Issuer or the Securityholders in connection with any actions or determinations of the Credit Derivatives Determinations Committee;
- (e) that, in reaching any DC Resolution that is applicable to the Reference CDS, the relevant Credit Derivatives Determinations Committee shall be under no requirement to consult with, or individually notify, the Issuer or the Securityholders, notwithstanding any provision of the Issue Specific Terms; and

- (f) that, with respect to any DC Resolution of the relevant Credit Derivatives Determinations Committee, in the event of any inconsistency between any provision of the Credit Derivatives Definitions and the terms of the Reference CDS, the terms of the Reference CDS will govern.

10.2 At the time Securities are issued, the Issuer and the Securityholders shall be deemed to acknowledge the disclaimers set out above.

11. NOTICES

Notwithstanding General Condition 12, notices given to Securityholders under these Asset Terms and the Issue Specific Terms shall be validly given if delivered to the relevant Clearing System (in the case of Bearer Securities) or the Registrar (in the case of Registered Securities) and shall be effective on the date of such delivery.

12. NO DUTIES

None of the Issuer nor any of its Affiliates has any duty, obligation or responsibility towards a Securityholder unless otherwise agreed in writing with that Securityholder or in the Issue Specific Terms. In particular, without limiting the foregoing, none of the Issuer nor any of its Affiliates need 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 Securityholder. In taking action against third parties, the Issuer and its Affiliates may combine holdings of debt, securities 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 Securities in writing.

13. ADJUSTMENTS TO EVENT DETERMINATION DATE AND RELATED PAYMENTS

- 13.1 If (i) following the determination of an Event Determination Date, such Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Event Determination Date or (B) not to have occurred or (ii) an Event Determination Date is deemed to have occurred prior to the immediately preceding Interest Payment Date, the Calculation Agent will determine in its sole discretion (x) the adjustment payment (if any) that is payable to reflect any scheduled payment that was due but not paid in respect of the Securities or any change that may be necessary to the amounts previously calculated and/or paid to the Securityholder(s); or (y) the adjustment payment (if any) that is payable by the Securityholders to the Issuer; and (iii) in the case of either (x) or (y) above, the date on which such adjustment payment, if any, is payable. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment and the Calculation Agent may effect such adjustment by requiring an additional amount to be payable to the Securityholder(s) and/or, as applicable, reducing any subsequent amount payable to the Securityholder(s).
- 13.2 If any amount would be payable by a Securityholder pursuant to Asset Term 13.1 above, and to the extent that such amount is not accounted for by an adjustment to other amounts payable to the Securityholder under the Securities, such amount shall be payable by the Securityholder to the Issuer. For the purposes of this obligation, the Securityholder consents to the clearing system passing on the Securityholder's details to the Issuer.
- 13.3 In the case of Securities represented by a Global Security or a Global Certificate, if an amount would be payable to a Securityholder pursuant to Asset Term 13.1 above, but such amount is

not determined until after the date on which the Securities are redeemed in full, the Issuer shall make such payment to the persons who are shown in the records of the Clearing Systems as being the Accountholder at, failing which immediately prior to, the time of redemption subject to receipt from such persons from such evidence and indemnities as the Issuer may require.

14. DEFINITIONS

"5 Year Valuation Date" has the meaning given to it in Asset Term 2.5(b);

"Affected Securityholder" has the meaning given to it in Asset Term 2.4(a);

"Affected Securityholder Cash Settlement Amount" has the meaning given to it in Asset Term 2.4(d);

"Affected Securityholder Proportion" has the meaning given to it in Asset Term 2.4(f);

"Affected Securityholder Value" has the meaning given to it in Asset Term 2.4(e);

"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 under direct or indirect common control with the person. As used herein "control" means the ownership of a majority of the voting power of the entity or, as the case may be, the person and "controlled by" and "controls" shall be construed accordingly;

"Aggregate Nominal Amount" means, at any time, an amount equal to the aggregate of the Outstanding Nominal Amounts of all Securities outstanding as at that time;

"Alternative Settlement End Date" has the meaning set out in Asset Term 2.5;

"Applicable Entity" has the meaning given to it in Asset Term 2.2(e);

"Asset Delivery Notice" has the meaning set out in Asset Term 2.3(j)(i), the pro forma of which is set out in Schedule 3 of these Asset Terms;

"Auction Settlement Amount" means the greater of (a) (i) the Reference Entity Notional Amount of the relevant Reference Entity which is the subject of such Event Determination Date (or, if the provisions of Asset Term 2.11 apply, the applicable Exercise Amount) multiplied by (ii) the Auction Final Price and (b) zero;

"Cash Alternative Settlement Amount" means the greater of (a) (i) the Reference Entity Notional Amount of the relevant Reference Entity which is the subject of such Event Determination Date (or, if the provisions of Asset Term 2.11 apply, the applicable Exercise Amount) multiplied by (ii) the Average Market Value Percentage and (b) zero;

"Cash Settlement Amount" means the greater of (a) (i) the Reference Entity Notional Amount of the relevant Reference Entity which is the subject of such Event Determination Date (or, if the provisions of Asset Term 2.11 apply, the applicable Exercise Amount) multiplied by (ii) the Final Price and (b) zero;

"Class" has the meaning set out in Asset Term 4;

"Clearance System Business Day" has the meaning set out in Asset Term 2.3(n);

"Credit Event Settlement Amount" means, in respect of a Security and with respect to an Event Determination Date:

- (a) where the provisions of Asset Term 2.2(c) apply, an amount equal to the product of (i) the Auction Settlement Amount, and (ii) the Relevant Proportion as of the Event Determination Date; or
- (b) where the provisions of Asset Term 2.2(b) apply, an amount equal to the product of (i) the Cash Settlement Amount, and (ii) the Relevant Proportion as of the Event Determination Date; or
- (c) where the provisions of Asset Term 2.2(d) apply, an amount equal to the product of (i) the Cash Alternative Settlement Amount, and (ii) the Relevant Proportion as of the Event Determination Date.

"Credit Event Settlement Date" means, in respect of a Security and with respect to an Event Determination Date (and subject to Asset Term 2.2(f)):

- (a) where the provisions of Asset Term 2.2(c) apply, the date falling 5 Business Days after the corresponding Auction Settlement Date under the Reference CDS; or
- (b) where the provisions of Asset Term 2.2(b) apply, the date falling 5 Business Days after the corresponding Cash Settlement Date under the Reference CDS; or
- (c) where the provisions of Asset Term 2.2(d) apply, the date falling 5 Business Days after the first date on which the Average Market Value Percentage has been determined.

"Credit Event Writedown Amount" means, in respect of a Security and with respect to an Event Determination Date, an amount equal to the lesser of

- (a) the Outstanding Nominal Amount of such Security; and
- (b) the product of (i) the Reference Entity Notional Amount of the relevant Reference Entity which is the subject of such Event Determination Date (or, if the provisions of Asset Term 2.11 apply, the applicable Exercise Amount) multiplied by (ii) the Relevant Proportion as of the Event Determination Date,

in each case determined immediately prior to such Event Determination Date;

"Delivery Cut-Off Date" has the meaning set out in Asset Term 2.4(a);

"Delivery Expenses" has the meaning set out in Asset Term 6;

"Delivery Notice Date" has the meaning given to it in Asset Term 2.2(a);

"Designated Affiliate" means any Affiliate of the Issuer designated as such by the Issuer from time to time which may, at the time of such designation, engage in the trading or holding of obligations of a Reference Entity, such Designated Affiliate being as set out in the Issue Specific Terms;

"Extended Maturity Date" has the meaning given to it in Asset Term 3;

"Extended Maturity Period" has the meaning given to it in Asset Term 3;

"July 2009 Supplement" means the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions;

"Outstanding Nominal Amount" means, in respect of a Security, an amount equal to its Specified Denomination as reduced from time to time in accordance with Asset Term 2;

"Portfolio" means the Deliverable Obligations specified in the Notice of Physical Settlement (as amended by any NOPS Amendment Notice in accordance with the terms of the Reference CDS);

"Quotation" has the meaning given to it in Asset Term 2.4(b);

"Reference CDS Calculation Agent" has the meaning given to it in Asset Term 1.5;

"Reference CDS Counterparty" has the meaning given to it in Asset Term 1.4;

"Reference Entity Notional Amount" has, in respect of a Reference Entity, the meaning ascribed thereto in the Reference CDS or, if none, means the notional amount for the time being of credit protection which is purchased by Buyer in respect of such Reference Entity under the terms of such Reference CDS;

"Relevant Proportion" means, in respect of any day, an amount, expressed as a fraction, equal to (a) the Outstanding Nominal Amount of the Security, divided by (b) the aggregate of the Outstanding Nominal Amounts of all Securities then outstanding, in each case as of such day;

"Rules" means the rules which govern the Credit Derivatives Determinations Committees set forth in the Credit Derivatives Determinations Committees Rules as published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof;

"Securities Physical Settlement Date" has the meaning given to it in Asset Term 2.3(c);

"Settlement Disruption Event" means an event has occurred or condition exists as a result of which the relevant Deliverable Obligation(s) cannot be cleared or transferred through the relevant clearance system or by the relevant settlement procedure for such Deliverable Obligations;

"Undeliverable Loan Obligation(s)" has the meaning given to it in Asset Term 2.6(a);

"Undeliverable Obligation" has the meaning set out in Asset Term 2.4(a);

"Undeliverable Obligation Valuation Date" has the meaning set out in Asset Term 2.4(a); and

"Value" has the meaning set out in Asset Term 2.4(b).

CLEARING ARRANGEMENTS

Transfers of the Securities may only be effected within Euroclear Bank S.A., and will be effected in accordance with the rules and procedures of the relevant clearing systems.

SUMMARY OF PROVISIONS RELATING TO SECURITIES WHILE IN GLOBAL FORM

The following provisions apply to Securities while in global form and represented by a global security or global certificate.

1 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of a Clearing System as the holder of a Security represented by a Global Security or a Global Certificate must look solely to such Clearing System for its share of each payment made by the Issuer to the bearer of such Global Security or the holder of the Global Certificate, as the case may be, and in relation to all other rights arising under the Global Security or Global Certificate, subject to and in accordance with the respective rules and procedures of such Clearing System.

So long as the Securities are represented by a Global Security or Global Certificate and the relevant Clearing System(s) so permit, the Securities shall be tradable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon and integral multiples of the Tradable Amount in excess thereof provided in the Issue Specific Terms.

2 Global Certificates

If the Securities are held in a Clearing System and are represented by a Global Certificate, the following will apply in respect of transfers of Securities. These provisions will not prevent the trading of interests in the Securities within a Clearing System (which will be subject to the rules and procedures of the relevant Clearing System), but will limit the circumstances in which the Securities may be withdrawn from the relevant Clearing System.

Transfers of the holding of Securities represented by any Global Certificate pursuant to General Condition 2 may only be made in part:

- (i) if the relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Securities is not paid when due; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 2(i) or 2(ii) above, the person in whose name the Securities are registered has given the Registrar not less than 30 days' notice at its specified office of its intention to effect such transfer.

No such transfer may be made during the period from the date of selection of Securities to be redeemed pursuant to General Condition 5(d) to the date of their redemption.

3 Deed of Covenant

Under the Deed of Covenant, the Issuer has covenanted in favour of the Securityholders from time to time that if principal in respect of any Securities is not paid when due, it will make payment of the unpaid amounts in respect of the Securities to the relevant Clearing Systems for crediting to the accounts of the relevant Securityholders in accordance with the rules and procedures of the relevant Clearing System.

TAXATION

The following is a summary of the withholding tax position in Ireland and the United Kingdom in respect of the Securities. It does not relate to any other tax consequences relating to its particular circumstances resulting from holding the Securities.

All payments in respect of the Securities by or on behalf of the Issuer will be subject to any applicable withholding taxes and the Issuer does not assume responsibility for withholding such taxes. However, as of the date hereof, no such taxes would be applicable in Ireland or the United Kingdom.

SUBSCRIPTION AND SALE

Credit Suisse International, in its capacity as the Dealer will subscribe for the Securities upon their issuance and will comply with the selling restrictions set out below.

General

Except as set out in this Securities Note, no action has been or will be taken by the Issuer or the Dealer that would permit a public offering of the Securities or possession or distribution of any offering material in relation to the Securities in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of the Securities, or distribution of any offering material relating to the Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer or the Dealer.

United States

The Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Dealer may not, except as permitted by applicable law, offer, sell or deliver the Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons, and it will be required to send to each other Dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by the Dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Dealer may only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Securities in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer.

The Dealer is required to comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

European Economic Area

In respect to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealer represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Securities to the public (within the meaning of the Prospectus Directive) in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of

Securities to the public in that Relevant Member State in circumstances which do not require the publication by the Issuer or the Dealer of a prospectus pursuant to the Prospectus Directive.

GENERAL INFORMATION

1. The issue of the Securities is made in accordance with the Organisational Guideline and Regulation of Credit Suisse AG dated 1 January 2007. No specific resolution of the Board of Directors of the Issuer is required in connection with the issue of the Securities.
2. Copies of the Agency Agreement and the Deed of Covenant will be available for inspection during normal business hours on any business day (except Saturdays, Sundays and legal holidays) at the offices of the Paying Agent. In addition, copies of the following will be available free of charge at the principal office of the Paying Agent and at the principal office of the relevant Branch, during usual business hours on any weekday (Saturdays and public holidays excepted):
 - (i) the Registration Document; and
 - (ii) this Securities Note.
3. The appointed Irish listing agent in respect of the Securities is A&L Listing Limited.
4. The Reference Entity in respect of the Securities is The Kingdom of Spain.

GENERAL CONDITIONS

*The following is the text of the general terms and conditions (the "**General Conditions**") that, together with any applicable Asset Terms and subject to the provisions of the Issue Specific Terms, shall be applicable to the Securities.*

In these General Conditions, references to the "Final Terms" or the "relevant Final Terms" shall be read as, and construed to mean, the Issue Specific Terms set out in the Securities Note.

The Securities (which expression shall include any Securities issued pursuant to General Condition 11) are issued pursuant to an agency agreement (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon, acting through its London Branch (or such other entity as may be specified in the Final Terms) as fiscal agent and the other agents named in it and with the benefit of a deed of covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") executed by the Issuer in relation to the Securities. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent, the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**") and together with any other agents specified in the Final Terms, the "**Agents**". The Securityholders (as defined in General Condition 1) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

The "Co-Structurer", if any, shall be the institution specified in the Final Terms.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

Securities are subject to these General Conditions, as modified and/or supplemented by the relevant Asset Terms, any specific terms required by relevant Clearing Systems, stock exchanges or other relevant authorities and the relevant final terms (the "**Final Terms**") relating to the relevant Securities (together, the "**Conditions**").

Expressions used herein and not defined shall have the meaning given to them in the relevant Final Terms. In the event of any inconsistency between the General Conditions or the Asset Terms and the Final Terms, the Final Terms will prevail.

Except in relation to General Conditions 8, 10 and 16 references herein to the Issuer shall be to the Issuer acting through its London Branch or Nassau Branch (each a "**Branch**") (as specified in the Final Terms).

Where determinations or calculations are required to be made by the Issuer, the Issuer may delegate the performance of such determinations and/or calculations to a Calculation Agent on its behalf. In such event the relevant references to the Issuer shall be construed as references to such Calculation Agent.

1. Form, Denomination and Title

The Securities are issued in bearer form ("**Bearer Securities**") or in registered form ("**Registered Securities**") in each case with a nominal amount (the "**Nominal Amount**") equal to the Specified Denomination(s) specified in the Final Terms.

All Registered Securities shall have the same Specified Denomination.

Bearer Securities are represented by a bearer global security (a **"Global Security"**). No definitive Bearer Securities will be issued.

Where Registered Securities are held by or on behalf of one or more Clearing Systems, a global certificate (a **"Global Certificate"**) will be issued in respect of them. Certificates in respect of Registered Securities will not otherwise be issued.

Title to the Global Security shall pass by delivery. Title to the Registered Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the **"Register"**). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Security shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

For so long as any of the Securities is represented by a Global Security or a Global Certificate held by or on behalf of one or more clearing systems specified in the Final Terms (each a **"Clearing System"**), each person (other than one Clearing System to the extent that it appears on the books of another Clearing System) who is for the time being shown in the records of the relevant Clearing System as the holder of a particular nominal amount of such Securities or, in the case of Securities held through Monte Titoli, each person whose name appears as being entitled to a Security in the books of a financial intermediary (an Italian bank, banker or agent authorised to maintain rewritten accounts on behalf of its clients) (an **"Account Holder"**) who is entitled to such Security according to the books of Monte Titoli, (in which regard any certificate or other document issued by the relevant Clearing System or Account Holder as to the nominal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of such Securities for all purposes other than with respect to the right to payment on such nominal amount of such Securities, the right to which shall be vested, as against the Issuer and any Agent, solely in the bearer of the relevant Global Security or the person in whose name the Registered Security is registered in accordance with and subject to its terms (and the expressions **"Securityholder"** and **"holder"** of Securities and related expressions shall be construed accordingly). Rights in respect of Securities which are held by or on behalf of a Clearing System will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System and, if so specified in the Final Terms, will be subject to a Minimum Transferable Number of Securities or a Minimum Trading Lot, as specified in the Final Terms.

Any reference to a Clearing System shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer.

2. Transfers of Registered Securities

(a) Transfer of Registered Securities

To transfer one or more Registered Securities a duly completed form of transfer in the form available from the Registrar or any Transfer Agent must be delivered to the specified office of the Registrar or any Transfer Agent of together with such other evidence as to the holder's identity and authority as the Registrar or Transfer Agent may reasonably require. All transfers of Registered Securities and entries on the Register will be made subject to the regulations scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Security upon request.

(b) Transfers Free of Charge

The transfer of Securities shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(c) Closed Periods

No Securityholder may require the transfer of a Registered Security to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Security, (ii) during the period of 15 days before any date on which Securities may be called for redemption by the Issuer at its option pursuant to General Condition 5(d), (iii) after any such Security has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status

The Securities are unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* and rateably without any preference among themselves and equally with all other unsubordinated and unsecured obligations of the Issuer from time to time outstanding.

4. Interest and Premium

(a) Interest on Fixed Rate Securities

Each Fixed Rate Security bears interest on its outstanding nominal amount from the Interest Commencement Date either (i) at the rate per annum (expressed as a percentage) equal to the Rate of Interest or (ii) in an Interest Amount, such interest being payable in arrear on each Interest Payment Date. If so specified in the Final Terms, the Rate of Interest or Interest Amount may be different for different Interest Periods.

(b) Premium

If so specified in the Final Terms, the Issuer shall pay a premium in respect of the derivative element of the Securities. Such premium shall be payable in respect of each Security on its outstanding nominal amount from the Premium Commencement Date either (i) at the rate per annum (expressed as a percentage) equal to the Rate of Premium or (ii) in an amount equal to a fixed Premium Amount, such premium being payable in arrear on each Premium Payment Date. If so specified in the Final Terms, the Rate of Premium or Premium Amount may be different for different Premium Periods.

(c) Interest on Floating Rate Securities

(i) Interest Payment Dates

Each Floating Rate Security bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date specified in the Final Terms.

(ii) Business Day Convention

If any date that is specified in the Final Terms to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the

Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Securities

The Rate of Interest in respect of Floating Rate Securities for each Interest Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). 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 a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the relevant Final Terms;
- (y) the Designated Maturity is a period specified in the relevant Final Terms; and
- (z) the relevant Reset Date is the first day of that Interest Period.

For the purposes of this sub-paragraph (iii), “**Floating Rate**”, “**Calculation Agent**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(d) Accrual of Interest and Premium

Interest and Premium shall cease to accrue on each Security on the due date for redemption unless payment is improperly withheld or refused, in which event interest and premium shall continue to accrue (both before and after judgment) in the manner provided in this General Condition 4 to the Relevant Date (as defined in General Condition 7).

(e) Margin, Maximum/Minimum Rates of Interest, Rate Multipliers and Rounding

- (i) If any Margin or Rate Multiplier is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest is specified in the relevant Final Terms, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up),

save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest transferable amount of such currency.

(f) Calculations

The amount of interest or premium payable in respect of any Security for any period shall be calculated by multiplying the product of the Rate of Interest or Rate of Premium and the outstanding nominal amount of such Security by the Day Count Fraction, unless an Interest Amount or Premium Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest or premium payable in respect of such Security for such period shall equal such Interest Amount or Premium Amount (or be calculated in accordance with such formula).

(g) Determination and Publication of Rates of Interest/Premium and Interest/Premium Amounts

On such date as the Calculation Agent may be required under this General Condition to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate, calculate such amounts, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amount and/or the Rate of Premium and Premium Amount for each Interest Period and Premium Period and the relevant Interest Payment Date and Premium Payment Date to be notified to the Fiscal Agent, the Issuer (if the Issuer is not the Calculation Agent) each of the Agents, the Securityholders and, if the Securities are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than the fourth Business Day after such determination. Where any Interest Payment Date or Premium Payment Date is subject to adjustment pursuant to General Condition 4(c)(ii), the Interest Amounts and the Interest Payment Date or Premium Amount and Premium Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period or Premium Period. If the Securities become due and payable under General Condition 8, the accrued interest and the Rate of Interest and/or Rate of Premium payable in respect of the Securities shall nevertheless continue to be calculated as previously in accordance with this General Condition 4 but no publication of the Rate of Interest and/or Rate of Premium or the Interest Amount or Premium Amount so calculated need be made.

(h) Definitions

Unless the context otherwise requires and subject to the Final Terms, the following terms shall have the meanings set out below:

“**Aggregate Nominal Amount**” means the aggregate nominal amount of the Securities set out in the Final Terms.

“**Business Centre**” means each of the places so specified in the Final Terms.

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a TARGET Business Day; and/or
- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in

such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

- (i) if **“Actual/Actual”** or **“Actual/Actual – ISDA”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **“Actual/365 (Fixed)”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if **“Actual/360”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) **“30/360 (Unadjusted)”** means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months without any adjustments);
- (v) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

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

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

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

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

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

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

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

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

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

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

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

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

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

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

where:

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

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

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

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

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

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

- (viii) if “**Actual/Actual–ICMA**” is specified in the relevant Final Terms:

- (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (ii) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

where:

“Determination Date” means the dates specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Dates and/or Premium Payment Dates;

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Designated Maturity” means the period set out in the Final Terms.

“Interest Amount” means the amount of interest payable in respect of a Security on an Interest Payment Date as specified in the Final Terms or calculated under this General Condition.

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

“Interest Payment Date” means each Interest Payment Date specified in the Final Terms.

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

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.

“Premium Amount” means the amount of any premium payable in respect of a Security on a Premium Payment Date as specified in the Final Terms or calculated under this General Condition.

“Premium Commencement Date” means the Issue Date or such other date as may be specified in the Final Terms.

“Premium Payment Date” means each Premium Payment Date specified in the Final Terms.

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

“Rate of Interest” means the rate of interest payable from time to time in respect of a Security as specified in the Final Terms or calculated under this General Condition.

“Rate of Premium” means the rate of premium payable from time to time in respect of a Security as specified in the Final Terms.

5. Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*

Unless previously redeemed or purchased and cancelled, each Security that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the Final Terms. The outstanding nominal amount of each such Security shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Security, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

Unless previously redeemed or purchased and cancelled, each Security shall be redeemed on the Maturity Date specified in the Final Terms at its Redemption Amount (which, unless otherwise provided, shall be its Nominal Amount) or, in the case of a Security falling within paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption*

The Early Redemption Amount payable in respect of any Security upon redemption of such Security pursuant to General Condition 5(c) or upon it becoming due and payable as provided in General Condition 8, shall be the amount determined by the Issuer that, in the case of redemption pursuant to General Condition 5(c) on a day prior to the due date for redemption selected by the Issuer in its sole and absolute discretion or, in the case of redemption pursuant to General Condition 8, on the due date for redemption of such Security is equal to the fair market value of such Security determined by it.

(c) *Redemption for Illegality Reasons*

If the Issuer shall have determined in good faith that the performance of any of its obligations under the Securities or that any arrangements made to hedge its obligations under the Securities shall have or will become, in whole or in part, unlawful, illegal, or otherwise contrary to any present or future law, rule, regulation, judgment, order, directive, policy or request of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or any change in the interpretation thereof (an **“Illegality”**), then the Issuer may, if and to the extent permitted by applicable law, either (a) make such adjustment to the Conditions as may be permitted by any applicable Asset Terms or (b) having given not more than 30 nor less than 15 days’ notice to Securityholders in accordance with General Condition 12, redeem the Securities at their Early Redemption Amount. In the case of (b) no payment of the Redemption Amount shall be made after such notice has been given.

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

If Call Option is specified in the relevant Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Securityholders (or such other notice period as may be specified in the Final Terms) redeem, all or, if so provided, some, of the Securities on any Optional

Redemption Date specified in the Final Terms at their Optional Redemption Amount specified in the Final Terms. Any such redemption must relate to Securities of a nominal amount at least equal to the minimum nominal amount to be redeemed and no greater than the maximum nominal amount to be redeemed specified in the Final Terms.

All Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this General Condition.

In the case of a partial redemption, the Securities to be redeemed shall be selected in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange, Clearing System and other relevant requirements and holders of Registered Notes shall be notified separately if their Securities have been selected.

(e) *Redemption at the Option of Securityholders*

If Put Option is specified in the Final Terms, the Issuer shall, at the option of the holder of any such Security, upon the holder of such Security giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Final Terms) redeem such Security on the Optional Redemption Date(s) specified in the Final Terms at its Optional Redemption Amount specified in the Final Terms. No such option may be exercised if the Issuer has given notice of redemption of the Securities.

In the case of Securities not held in or on behalf of a Clearing System, to exercise such option the holder must deposit a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period together with (in the case of Bearer Securities) the Global Security with any Paying Agent or (in the case of Registered Securities) with the Registrar or any Transfer Agent at its specified office.

(f) *Purchases*

The Issuer and any subsidiary or affiliate of the Issuer may at any time purchase Securities (provided that such Securities are purchased with all rights to receive all future payments of interest and Instalment Amounts (if any)) in the open market or otherwise at any price and may hold, resell or cancel them.

(g) *Reference to Principal*

References to principal shall be deemed to include, wherever the context so admits, any amounts payable under the Securities other than by way of interest.

6. *Payments*

(a) *Bearer Securities*

Payments in respect of Bearer Securities shall be made against presentation and annotation or, if no further payment is to be made, surrender of the Global Security at the specified office of any Paying Agent outside the United States by transfer to an account denominated in the Settlement Currency with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET2 System.

(b) *Registered Securities*

Payments in respect of Registered Securities shall be made to the person shown on the Register at the close of business on the date (the “**Record Date**”) which is (i) in the case of Securities represented by a Global Certificate held by or on behalf of one or more Clearing Systems, the Clearing System Business Day immediately prior to the due date for payment thereof, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January and (ii) otherwise, the fifteenth day before the due date for payment thereof. Payments on each Registered Security shall be made in the Settlement Currency by cheque drawn on a bank and mailed to the holder (or to the first-named of joint holders) of such Security at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment may be made by transfer to an account in the Settlement Currency specified by the payee with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET2 System.

(c) Discharge of Obligation

The holder of a Global Security or Global Certificate shall be the only person entitled to receive payments in respect of Securities represented by such Global Security or Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Security or Global Certificate in respect of each amount so paid. Each of the persons shown in the records of the relevant Clearing System as the holder of a particular nominal amount of Securities represented by such Global Security or Global Certificate must look solely to such Clearing System for its share of each payment so made. No person other than the holder of such Global Security or Global Certificate shall have any claim against the Issuer in respect of any payments due on that Global Security or Global Certificate.

(d) Payments Subject to Laws

All payments are subject in all cases to any applicable fiscal and other laws, regulations and directives.

(e) Appointment of Agents

The Agents initially appointed by the Issuer and their respective specified offices are specified in the Final Terms. The Agents act solely as agents of the Issuer and neither the Issuer nor any of the Agents assumes any obligation or relationship of agency or trust of a fiduciary nature for or with any Securityholder. The Issuer may at any time vary or terminate the appointment of any Agent and appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Securities, (iii) a Transfer Agent in relation to Registered Securities and (iv) so long as the Securities are listed on any stock exchange and the rules of that stock exchange or the relevant competent authority so require, such Paying Agents or other agents as may be required by the rules of such stock exchange or competent authority.

Notice of any such change or any change of any specified office shall promptly be given to the Securityholders.

(f) Non-Business Days

If any date for payment in respect of any Security is not a business day, the holder shall not be entitled to payment until the next following business day or to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day which is a Currency

Business Day and, where presentation is required, a Banking Day in the relevant place of presentation.

7. Prescription

Claims against the Issuer for payment in respect of Bearer Securities shall be prescribed and become void unless the Global Security is presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date. “**Relevant Date**” means, in respect of any payment, (i) the date on which such payment first becomes due and payable or (ii) if the full amount of moneys payable has not been received by the Fiscal Agent on or prior to such date, the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Securityholders in accordance with General Condition 12.

8. Events of Default

If any one or more of the following events (each, an “**Event of Default**”) has occurred and is continuing:

- (a) the Issuer fails to pay any amount due on the Securities within 30 days after the due date; or
- (b) the Issuer is (or could be deemed by law or court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, initiates or becomes subject to proceedings relating to itself under any applicable bankruptcy, liquidation, insolvency, composition administration or insolvency law proposes or makes a stay of execution, a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer,

then the holder of any Security may by notice in writing given to the Fiscal Agent at its specified office, declare such Security immediately due and payable, whereupon such Security shall become redeemable at its Early Redemption Amount unless prior to the time when the Fiscal Agent receives such notice all Events of Default have been cured.

9. Meeting of Securityholders and Modifications

(a) Meetings of Securityholders

The Agency Agreement contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the Conditions. Such a meeting may be convened by Securityholders holding not less than one tenth in nominal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Securityholders whatever the nominal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend any date for payment on the Securities, (ii) to reduce or cancel the nominal amount of, or any other amount payable or deliverable on redemption of, the Securities, (iii) to reduce the rate or rates of interest in respect of the Securities, (iv) to vary any method of, or basis for, calculating any amount payable on the Securities or deliverable in respect of the Securities, (v) to vary the currency or currencies of payment or denomination of the Securities, (vi) to take any steps that may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (vii) to

modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed).

(b) Modification

The Issuer may modify the Conditions without the consent of any Securityholder for the purposes of (i) curing any ambiguity or correcting or supplementing any provision contained in them in any manner which the Issuer may deem necessary or desirable provided that such modification is not, in the determination of the Issuer, prejudicial to the interests of the Securityholders or (ii) correcting a manifest error. Notice of any such modification will be given to the Securityholders.

10. Substitution of the Issuer

The Issuer, or any previously substituted company, may at any time, without the consent of the Securityholders, substitute for itself as principal obligor under the Securities any company (the “**Substitute**”), being any Affiliate of the Issuer or another company with which it consolidates, into which it merges or to which it sells, leases, transfers or conveys all or substantially all its property, subject to:

- (i) where the Substitute is an Affiliate of the Issuer, the Substitute having a long-term unsecured debt rating equal to or higher than that of the Issuer given by Moody’s Investors Service, Inc. (or an equivalent rating from another internationally recognised rating agency) or having the benefit of a guarantee from the Issuer or another Affiliate of the Issuer with such a debt rating;
- (ii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Securities represent legal, valid and binding obligations of the Substitute having been taken, fulfilled and done and being in full force and effect;
- (iii) the Issuer shall have given at least 30 days’ prior notice of the date of such substitution to the Securityholders in accordance with General Condition 12.

In the event of any substitution of the Issuer, any reference in the Conditions to the Issuer shall thenceforth be construed as a reference to the Substitute.

“**Affiliate**” means any entity controlled, directly or indirectly by the Issuer, any entity that controls, directly or indirectly, the Issuer and any entity under common control with the Issuer.

The Issuer shall also have the right upon notice to Securityholders in accordance with General Condition 12 to change the office through which it is acting for the purpose of the Securities, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

11. Further Issues

The Issuer may from time to time without the consent of the Securityholders create and issue further Securities having the same terms and conditions as the Securities (so that, for the avoidance of doubt, references in the conditions of such Securities to “**Issue Date**” shall be to the first issue date of the Securities) and so that the same shall be consolidated and form a single

series with such Securities, and references in these Conditions to “**Securities**” shall be construed accordingly.

12. Notices

Notices to the holders of Securities which are listed on a stock exchange shall be given in such manner as the rules of such exchange or the relevant authority may require (in the case of the Luxembourg Stock Exchange by publication on www.bourse.lu). In addition, so long as any Securities are held in or on behalf of a Clearing System, notices to the holders of such Securities may be given by delivery of the relevant notice to that Clearing System for communication by it to entitled accountholders or by delivery of the relevant notice to the holder of the relevant Global Security or Global Certificate. Notices to the holders of Securities may also be given by publication in the newspaper specified in the Final Terms or such other leading newspaper of general circulation as the Issuer may determine. Any such notice shall be deemed to have been given on the weekday following such delivery or, where notices are so published, on the date of such publication or, if published more than once or on different dates, on the date of the first such publication. Notices to the holders of Registered Securities may alternatively be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Notices to be given by a Securityholder shall (in the case of a Security not held in or on behalf of a Clearing System) be in writing and given by being lodged with an Agent. Where Securities are held in or on behalf of a Clearing System, such notices may be given by the holder of a Security through the relevant Clearing System in such manner as the relevant Clearing System may approve for this purpose together with confirmation from the Clearing System of the Securityholder's holding of Securities.

Where Securities are held in or on behalf of a Clearing System but such Clearing System does not permit notices to be sent through it, such notices may be given by the relevant Securityholder in writing by being lodged with an Agent, subject to the Securityholder providing evidence from the Clearing System satisfactory to the Issuer of the Securityholder's holding of Securities.

13. Calculations and Determinations

Neither the Issuer nor the Calculation Agent shall have any responsibility for good faith errors or omissions in its calculations and determinations, whether caused by negligence or otherwise. The calculations and determinations of the Issuer or Calculation Agent shall be made in accordance with the Conditions having regard in each case to the criteria stipulated therein and (where relevant) on the basis of information provided to or obtained by employees or officers of the Issuer or Calculation Agent responsible for making the relevant calculation or determination and shall, in the absence of manifest error, be final, conclusive and binding on Securityholders. Neither the Issuer nor the Calculation Agent assumes any obligation or relationship of agency or trust or of a fiduciary nature for or with any Securityholder. Nothing in the Conditions shall exclude or restrict any duty or liability arising under the regulatory framework applicable to any person authorised by the Financial Services Authority.

14. Third Parties

No person shall have any right to enforce any of the Conditions of the Securities under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Securities expressly provide for such Act to apply to any of their terms.

15. Miscellaneous Definitions

References to “AUD” are to Australian dollars, references to “CAN” are to Canadian dollars, references to “DKr” are to Danish Krone, references to “EUR” and “€” are to euro, references to “GBP” and “£” are to pounds sterling, references to “HK\$” and “HKD” are to Hong Kong dollars, references to “JPY” and “¥” are to Japanese yen, references to “Nkr” and “NOK” are to Norwegian Kroner, references to “SGD” are to Singapore dollars, references to “SEK” and “SKr” are to Swedish Kronor, references to “CHF” and “Sfr” are to Swiss Francs and references to “USD” and “U.S.\$” are to United States dollars.

“**Banking Day**” means, in respect of any city, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in such city.

“**Currency Business Day**” means a day which is a Banking Day in the Financial Centre(s) if any (as specified in the relevant Final Terms) and on which (unless the Settlement Currency is euro) commercial banks and foreign exchange markets are generally open to settle payments in the city or cities determined by the Issuer to be the principal financial centre(s) for the Settlement Currency, and if the Settlement Currency is euro, which is also a TARGET Business Day.

“**Financial Centre**” means each of the places so specified in the Final Terms.

“**Settlement Currency**” means the currency in which a payment is to be made.

“**TARGET Business Day**” means a day on which the TARGET2 System or any successor thereto is operating, where “**TARGET2 System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.

16. Governing Law and Jurisdiction

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

The Issuer irrevocably agrees for the benefit of the Securityholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Securities and accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as “**Proceedings**”) may be brought in such courts.

The Issuer irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and irrevocably and unconditionally agrees that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and the Branch and may be enforced in the courts of any other jurisdiction. Nothing in this General Condition 16 shall limit any right to take Proceedings against the Issuer or the Branch 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 its London Branch as its agent for service of process in England in respect of any Proceedings.