

# 大和証券グループ本社

Daiwa Securities Group Inc.

## Daiwa Securities Group Inc.

(incorporated with limited liability in Japan)

and

## Daiwa Securities Co. Ltd.

(incorporated with limited liability in Japan)

¥1,200,000,000,000

### Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Offering Circular (the “Programme”), each of Daiwa Securities Group Inc. (“DSGI”) and Daiwa Securities Co. Ltd. (“DSCL”) (together, the “Issuers” and in relation to Notes (as defined below) issued by it, each an “Issuer” and a “relevant Issuer”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the “Notes”). The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed ¥1,200,000,000,000 (or its equivalent in other currencies calculated as described herein and subject to increase as provided herein).

The Notes issued under the Programme will constitute: (a) direct, unsecured (subject to Condition 4), unconditional and unsubordinated obligations of the relevant Issuer (“Senior Notes”), or (b) in respect of Notes issued by DSCL only, direct, unsecured, conditional and subordinated obligations of DSCL (“Subordinated Notes”). Senior Notes will have any specified maturity date as set out in the relevant Pricing Supplement. In addition, Senior Notes with no fixed maturity date may be issued. Subordinated Notes will have a maturity of between two to five years from their date of issue (“Short-term Subordinated Notes”) or a maturity date of more than five years from their date of issue (“Long-term Subordinated Notes”). DSGI may not issue Subordinated Notes under this Programme.

**PROHIBITION OF SALES TO EEA AND U.K. RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area or in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU)2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area or in the United Kingdom has been or will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area or in the United Kingdom may be unlawful under the PRIIPs Regulation.

Application has been made to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuers, its subsidiaries, its associated companies, the Programme or such Notes issued under the Programme.

Each Series (as defined in the “Summary of the Programme”) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “temporary Global Note”) or a permanent global note in bearer form (each a “permanent Global Note”). If the Global Notes are stated in the applicable Pricing Supplement to be issued in new global note (“NGN”) form they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined in the “Summary of the Programme”) to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream, Luxembourg”). Notes in registered form will be represented by registered certificates (each a “Certificate”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates (“Global Certificates”). If a Global Certificate is held under the New Safekeeping Structure (the “NSS”) the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Global Notes which are not issued in NGN form (“Classic Global Notes” or “CGNs”) and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the “Common Depository”). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “Summary of Provisions Relating to the Notes while in Global Form”.

The Programme has been rated (P)Baa1 by Moody’s Japan K.K. (“Moody’s”) and A by Rating and Investment Information, Inc. (“R&I”) for Senior Notes issued by DSGI. The Programme has been rated (P)A3 by Moody’s and A by R&I for Senior Notes and A- by R&I for Subordinated Notes issued by DSCL. Tranches of Notes (as defined in “Summary of the Programme”) issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger for the Programme**

**Daiwa Capital Markets Europe**

**Dealers**

**Daiwa Capital Markets Europe**

**Daiwa Capital Markets Singapore Limited**

Each Issuer having made all reasonable enquiries confirms that this document contains all information with respect to DSGI, DSGI and its subsidiaries and affiliates taken as a whole (the “Group”), DSCL and the Notes, that is material in the context of the issue and offering of the Notes, the statements contained in it relating to DSGI, the Group and DSCL are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to DSGI, the Group and DSCL are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to DSGI, the Group, DSCL or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Issuers to ascertain such facts and to verify the accuracy of all such information and statements. Each Issuer accepts responsibility for such contents of the Offering Circular accordingly.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers or any of the Dealers or the Arranger (as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of DSGI, the Group or DSCL since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of DSGI, the Group or DSCL since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”) and are subject to the Special Taxation Measures Act of Japan (Act No. 26 of 1957, as amended) (the “Special Taxation Measures Act”). The Notes may not be offered or sold in Japan or to, or for the benefit of, individual residents of Japan or Japanese corporations, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA of Japan and any other applicable laws, regulations and guidelines of Japan (see “Subscription and Sale” below). In addition, among other restrictions, the Notes are not, as part of the initial distribution by the Dealers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”) relating to the Special Taxation Measures Act that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation who will receive interest payments on the Notes through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED IT IS A GROSS RECIPIENT. In addition, interest payments on the Notes generally will be subject to Japanese withholding tax unless it is established that the Notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the Issuer, or (ii) a Japanese designated financial institution described in Article 6, Paragraph 9 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph (see “Japanese Taxation” for more details below).

**MiFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the

Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular may only be used for the purposes for which it has been published. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuers, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuers or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Arranger or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuers during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

The Programme allows for the issuance of Notes that reference LIBOR, in particular with respect to certain floating rate Notes where the Reference Rate (as defined in the Conditions) may be LIBOR. The Pricing Supplement for Notes will specify whether LIBOR is applicable. The UK Financial Conduct Authority has announced that after 2021 it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark and that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021 by the UK Financial Conduct Authority. Condition 5(b)(iii)(C) sets out procedures to be followed by the Issuer and the Calculation Agent in the occurrence of the LIBOR discontinuation event. The determination of a Successor Rate, Alternative Rate and/or any applicable Adjustment Spread (each as defined in Condition 5(b)(iii)(C)), or such other methodology as considered appropriate, by the Calculation Agent may, despite its use of commercially reasonable endeavours, result in discrepancies in the rates calculated pursuant to Condition 5(b)(iii)(C) and those based on any other substitute or alternate benchmark that has become available and has subsequently be recommended or recognised as an alternative or replacement to LIBOR by a relevant supervising body or a benchmark administrator or otherwise has become industry standard. Further, Condition 5(b)(iii)(C)(i)(d) provides that in case the Calculation Agent determines there is no such Successor Rate, Alternative Rate and/or any other methodology which may substitute the original reference rate, the Issuer shall redeem the Notes in accordance with Condition 6(h) at the Benchmark Redemption Amount (as defined in Condition 6(h)), which may be at a fair market value, deducting any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements. Any such consequence could have a material adverse effect on the value and marketability of, and return on, any Notes linked to LIBOR.

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

*action or over-allotment shall be conducted by the relevant Stabilising Manager(s) (or any person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.*

*In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “¥”, “Yen” and “yen” are to the lawful currency of Japan, to “US\$” and “U.S. dollars” are to the currency of the United States of America, to “S\$” is to the currency of Singapore, to “sterling” and “£” are to the currency of the United Kingdom and to “euro” and “€” are to the lawful currency of the Member States of the European Union that have adopted the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community.*

## INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (i) each relevant Pricing Supplement;
- (ii) (a) the audited consolidated financial statements of DSGI for the years ended 31 March 2019 and 2020 and (b) the English translation of the Japanese language published unaudited quarterly consolidated financial statements of DSGI for the three months ended 30 June 2020;
- (iii) the audited non-consolidated financial statements of DSCL for the years ended 31 March 2019 and 2020; and
- (iv) any audited (consolidated, if prepared) financial statements or unaudited quarterly (consolidated, if prepared) financial statements published subsequently to such annual financial statements, if any, by each of DSGI or DSCL, once published,

each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained therein is inconsistent with such contents.

All documents incorporated by reference will be available free of charge from the specified office of the Fiscal Agent.

## SUPPLEMENTAL OFFERING CIRCULAR

The Issuers have each given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the either Issuer, and the rights attaching to the Notes, the Issuers shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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## SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular.

<b>Issuers</b>	Daiwa Securities Group Inc. Daiwa Securities Co. Ltd.
<b>Legal Entity Identifiers</b>	DSGI: 353800WRC7Y23PWFJG38 DSCL: 549300D405BPQ5DDVJ61
<b>Description</b>	Euro Medium Term Note Programme
<b>Size</b>	Up to ¥1,200,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arranger</b>	Daiwa Capital Markets Europe Limited
<b>Dealers</b>	Daiwa Capital Markets Europe Limited Daiwa Capital Markets Singapore Limited
	<p>The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches as defined herein.</p>
<b>Fiscal Agent</b>	The Bank of New York Mellon, London Branch
<b>Method of Issue</b>	<p>The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue date. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “Pricing Supplement”).</p>
<b>Issue Price</b>	<p>The Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.</p>
<b>Form of Notes</b>	<p>The Notes may be issued in bearer form only (“Bearer Notes”), in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) or in registered form only (“Registered Notes”). Each Tranche of Bearer Notes or Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial</p>

maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme – Selling Restrictions”), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “Global Certificates”.

**Clearing Systems**

Euroclear, Clearstream, Luxembourg and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Fiscal Agent and the relevant Dealer.

**Initial Delivery of Notes**

On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealer.

**Maturities**

Subject to compliance with all relevant laws, regulations and directives, Senior Notes will have any maturity as specified in the relevant Pricing Supplement. In addition, perpetual notes with no final redemption may be issued. Short-term Subordinated Notes will have a maturity of between two to five years from their date of issue and Long-term Subordinated Notes will have a maturity of more than five years from their date of issue.

**Denomination**

Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or in the United Kingdom or offered to the public in a Member State of the European Economic Area or in the United Kingdom in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in other currencies as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 (the



“FSMA”) will have a minimum denomination of £100,000 (or its equivalent in other currencies).

**Fixed Rate Notes**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

**Floating Rate Notes**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as defined in Condition 7); or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Pricing Supplement.

**Zero Coupon Notes**

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

**Dual Currency Notes**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.

**Index Linked Notes**

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.

**Equity Linked Notes**

Payments of principal in respect of Equity Linked Redemption Notes or of interest in respect of Equity Linked Interest Notes will be calculated by reference to such share price or formula as may be specified in the relevant Pricing Supplement.

**Credit Linked Notes**

Notes with respect to which payment of principal and interest is linked to the credit of a specified entity or entities (subject to alternative procedures pursuant to Auction Settlement as set out herein) will be issued on such terms as may be specified by the relevant Issuer.

If the Conditions to Settlement are satisfied, the Notes will be redeemed, and the relevant Issuer will, if Cash Settlement is specified as the applicable Settlement Method in the applicable Pricing Supplement, pay the Credit Event Redemption Amount or, if Physical Settlement is specified as the applicable Settlement Method in the applicable Pricing Supplement, Deliver the Deliverable Obligations comprising the Asset Amount.

Where Auction Settlement is specified as the applicable Settlement Method in the applicable Pricing Supplement and an Auction Final Price Determination Date occurs, the Auction Final Price will be determined according to an auction procedure set out in the applicable rules published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time.

If Auction Settlement is specified as the applicable Settlement Method in the applicable Pricing Supplement and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Notes will be redeemed and the relevant Issuer will pay the Credit Event Redemption Amount.

Prospective investors should review the “*Terms and Conditions of the Notes*” and the applicable Pricing Supplement to ascertain whether and how such provisions apply to the Credit Linked Notes.

#### **Interest Periods and Interest Rates**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

#### **Redemption**

The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

#### **Redemption by Instalments**

The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

#### **Other Notes**

Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the relevant Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.

#### **Optional Redemption**

The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/ or the holders, and if so the terms applicable to such redemption.

#### **Status of Notes**

*Senior Notes* – The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

*Subordinated Notes* – The Subordinated Notes will be direct, unsecured, conditional and (in certain circumstances) subordinated obligations of DSCL ranking *pari passu* and without any preference among themselves.

Claims in respect of the Notes will rank in priority to the rights and claims of holders of all classes of equity (including holders of preference shares (if any)) of the relevant Issuer.

**Limited Rights of Acceleration in respect of Subordinated Notes**

The Subordinated Notes can only be accelerated in the circumstances set out in Condition 11(b). Neither the Terms and Conditions of the Subordinated Notes nor the Agency Agreement will contain any provision whereby the Subordinated Notes will become due and payable upon a default in the payment of principal or of interest on the Subordinated Notes or on the non-performance of any covenant of DSCL in relation to the Subordinated Notes or upon the happening of any other event in relation to the Subordinated Notes other than a Subordination Event (as defined in Condition 3(b)(ii)(B)(1)); principally, the bankruptcy, reorganisation, dissolution or rehabilitation of DSCL.

**Subordination**

Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3.

**Negative Pledge**

The Senior Notes will contain a negative pledge as more fully set out in “Terms and Conditions of the Notes – Negative Pledge”.

**Cross Default**

See “Terms and Conditions of the Notes – Events of Default”.

**Rating**

The Programme has been rated (P)Baa1 by Moody’s and A by R&I for Senior Notes issued by DSGI.

The Programme has been rated (P)A3 by Moody’s and A by R&I for Senior Notes and A- by R&I for Subordinated Notes issued by DSCL.

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

**Early Redemption**

Except as provided in “Optional Redemption” above, the Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption, Purchase and Options”.

**Withholding Tax**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Japan, subject to customary exceptions (including the ICMA Standard EU Exception), all as described in “Terms and Conditions of the Notes – Taxation”.

**Governing Law**

English

**Listing**

The SGX-ST or such other stock exchange(s) as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.

The minimum issue size of each series of the Notes to be listed on SGX-ST will be S\$5,000,000 (or its equivalent in other currencies). For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

**Selling Restrictions**

The United States, The European Economic Area, The United Kingdom, Japan, Hong Kong, Singapore, China, India, Republic of

Korea, Taiwan, Australia and New Zealand. See “Subscription and Sale”.

Each Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (the “**D Rules**”) unless (i) the applicable Pricing Supplement states that the Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the applicable Pricing Supplement as a transaction to which TEFRA is not applicable.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be.*

*References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme and references to the “Issuer” are to the Issuer of such Notes, being either DSGI or DSCL.*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the “Agency Agreement”) dated 29 September 2016, between Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd. (each an “Issuer”), The Bank of New York Mellon, London Branch as fiscal agent and the other agents named therein and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the “Deed of Covenant”) dated 29 September 2016, executed by the Issuer in relation to the Notes. 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)”. The Noteholders (as defined below), the holders of the interest coupons (the “Coupons”) relating to interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) (the “Couponholders”) and the holders of the receipts for the payment of instalments of principal (the “Receipts”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

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.

As used in these terms and conditions (the “Conditions”), “Tranche” means Notes which are identical in all respects.

### **1 Form, Denomination and Title**

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

Notes may be Senior Notes, Short-term Subordinated Notes or Long-term Subordinated Notes as indicated in the applicable Pricing Supplement.

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

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Equity Linked Interest Note, an Equity Linked Redemption Note, a Credit Linked Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

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

Registered Notes are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

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

## **2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

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

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 8(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

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

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

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

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

#### 2(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and/or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

#### 2(e) Exchange Free of Charge

Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option 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).

#### 2(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption by the Issuer may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

### 3 Status of the Notes and Subordination\*

#### 3(a) Status of the Senior Notes

The Senior Notes and the Receipts and Coupons constitute (subject to Condition 4) unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Receipts and Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

#### 3(b) Subordinated Notes

##### (i) Status

The Subordinated Notes and the relative Receipts (if any) and Coupons constitute direct and unsecured obligations of the Issuer which are conditional and subordinated, all as described below.

Claims in respect of Subordinated Notes shall *rank pari passu* and without any preference among themselves and at least equally and rateably with all other present and future unsecured, conditional and subordinated obligations of the Issuer, as described below.

Claims in respect of the Subordinated Notes will rank in priority to the rights and claims of holders of all classes of equity (including holders of preference shares (if any)) of the Issuer.

##### (ii) Subordination

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\* Subordinated Notes provisions are only applicable to DSCL

- (A) The rights of the holders of Subordinated Notes and the relative Receipts and Coupons against the Issuer in respect of Subordinated Notes are subordinated to the claims of Senior Creditors (as defined below) of the Issuer.

Payments of principal and interest in respect of Subordinated Notes are conditional upon the Issuer being in compliance with the provisions set forth in Article 46-6, paragraph 2 of the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the “FIEA”), subject to any amendments effected thereto from time to time, at the time of payment by the Issuer and (i) if the Notes are specified hereon as Short-term Subordinated, no principal or interest, and (ii) if the Notes are specified hereon as Long-term Subordinated, no interest, which would otherwise be due and payable by the Issuer in respect of Subordinated Notes under the Conditions shall be due and payable by the Issuer, except to the extent that the Issuer could (1) make such payment in whole or in part, rateably with (x) all other payments in respect of Subordinated Notes which have not been made by reason of this Condition 3(b) together with accrued interest (if any) thereon (“Other Note Claims”) and (y) all other payments in respect of Other *Pari Passu* Claims (as defined below) against the Issuer, and (2) still be in compliance with the provisions set forth in Article 46-6, paragraph 2 of the FIEA, subject to any amendments effected thereto from time to time, immediately thereafter.

Any amount which is not due and payable by reason of the provisions of this subparagraph (ii)(A) shall be automatically deferred to, and shall instead become due and payable, together with interest accrued thereon up to the date of such deferral (if any), on a date set by the Issuer and notified to the Noteholders in accordance with the Condition 15, which date shall be within 180 days after the date on which the Issuer could make such payment in compliance with the provisions of Article 46-6, paragraph 2 of the FIEA, subject to any amendments effected thereto from time to time, but only to the extent that the Issuer (1) could make such payment and, immediately thereafter, still be in compliance with the provisions of Article 46-6, paragraph 2 of the FIEA, subject to any amendments effected thereto from time to time, and (2) could make payment in respect thereof in whole or in part, rateably with payments in respect of Other Note Claims and Other *Pari Passu* Claims against the Issuer and, immediately thereafter, still be in compliance with the provisions set forth in Article 46-6, paragraph 2 of the FIEA, subject to any amendments effected thereto from time to time.

Notwithstanding the foregoing, the Issuer may, in its sole discretion, make payment of any amount which is not due and payable by reason of the provisions of this subparagraph (ii)(A), together with interest accrued thereon up to the date of such deferral (if any), on the Interest Payment Date or the Maturity Date immediately following the date on which the Issuer could make such payment in compliance with the provisions of Article 46-6, paragraph 2 of the FIEA, subject to any amendments effected thereto from time to time, but only to the extent that the Issuer (1) could make such payment and, immediately thereafter, still be in compliance with the provisions of Article 46-6, paragraph 2 of the FIEA, subject to any amendments effected thereto from time to time, and (2) could make payment in respect thereof in whole or in part, rateably with payments in respect of Other Note Claims and Other *Pari Passu* Claims against the Issuer and, immediately thereafter, still be in compliance with the provisions set forth in Article 46-6, paragraph 2 of the FIEA, subject to any amendments effected thereto from time to time.

Any amount which is deferred pursuant to the provisions of this subparagraph (ii)(A) shall bear no interest.

Any reference in these Conditions to principal or interest in respect of Subordinated Notes shall be deemed to include principal or interest which is not paid by reason of the provisions of this subparagraph (ii)(A), respectively.



(B) In these Conditions:

- (1) a “Subordination Event” means any Japanese Bankruptcy Event, Japanese Reorganisation Event, Japanese Dissolution Event, Japanese Rehabilitation Event or Foreign Event in respect of the Issuer (each as defined below);
- (2) where a court of competent jurisdiction in Japan shall have commenced bankruptcy proceedings with respect to the Issuer pursuant to the provisions of the Japanese Bankruptcy Law (Law No. 75 of 2004, as amended) or successor legislation thereto (the “Bankruptcy Law”), such event is hereinafter referred to as a “Japanese Bankruptcy Event”;
- (3) where a court of competent jurisdiction in Japan shall have commenced reorganisation proceedings with respect to the Issuer pursuant to the provisions of the Japanese Reorganisation Law (Law No. 154 of 2002, as amended) or successor legislation thereto (the “Reorganisation Law”), such event is hereinafter referred to as a “Japanese Reorganisation Event”;
- (4) where:
  - (i) a court of competent jurisdiction in Japan shall have adjudicated the Issuer to be dissolved pursuant to the Japanese Company Act (Law No. 86 of 2005, as amended) or successor legislation thereto (the “Company Act”); or
  - (ii) a general stockholders’ meeting of the Issuer shall have resolved to dissolve voluntarily and liquidate the Issuer;any such event mentioned in this sub-paragraph (4) is hereinafter referred to as a “Japanese Dissolution Event”;
- (5) where a competent court in Japan shall have commenced rehabilitation proceedings with respect to the Issuer pursuant to the provisions of the Japanese Civil Rehabilitation Law (Law No. 225 of 1999, as amended) or successor legislation thereto (the “Rehabilitation Law”), such event is hereinafter referred to as a “Japanese Rehabilitation Event”. Notwithstanding anything to the contrary, a Japanese Rehabilitation Event shall not be deemed to have occurred if the court finally and conclusively decides the commencement of the summary or consent rehabilitation proceedings or cancels the rehabilitation plan with respect to the Issuer, in which event in each such case it shall be treated as if no such event has occurred with respect to the Issuer. For the avoidance of doubt “rehabilitation plan” as referred to in the Conditions shall mean a plan under the Rehabilitation Law other than summary or consent rehabilitation plans;
- (6) Where in a court of competent jurisdiction in any jurisdiction other than Japan, the Issuer shall have become subject to any event analogous to a Japanese Bankruptcy Event, a Japanese Reorganisation Event, a Japanese Dissolution Event or a Japanese Rehabilitation Event under the applicable law of that jurisdiction, such event is hereinafter referred to as a “Foreign Event”;
- (7) “Senior Indebtedness” means:
  - (i) in a Japanese Bankruptcy Event, all obligations of the Issuer as set forth in the final distribution schedule (or, if amended, such distribution schedule as so amended) submitted to the court under such proceedings pursuant to the Bankruptcy Law;
  - (ii) in a Japanese Reorganisation Event which shall have become final and conclusive, all obligations of the Issuer as set forth in the final reorganisation plan approved by the court at the time when the court’s approval of such plan pursuant to the Reorganisation Law becomes final and conclusive in such proceedings;

- (iii) in a Japanese Dissolution Event, all obligations of the Issuer as filed within the prescribed period of time or as known to the Issuer;
- (iv) in a Japanese Rehabilitation Event, which shall have become final and conclusive, all obligations of the Issuer as set forth in the final rehabilitation plan approved by the court at the time when the court's approval of such plan pursuant to the Rehabilitation Law becomes final and conclusive in such proceedings; or
- (v) in a Foreign Event, all obligations of the Issuer as allowed in court proceedings which are equivalent to those described in (i), (ii), (iii) or (iv) above,

except (in any of (i), (ii), (iii), (iv) or (v) above) those obligations ranking or expressed to rank *pari passu* with or junior to the obligations of the Issuer under the Subordinated Notes;

- (8) "Senior Creditors" means all creditors of the Issuer other than creditors whose claims are in respect of (x) any class of equity (including preference shares) of the Issuer or (y) any obligations of the Issuer which rank or are expressed to rank either *pari passu* with or junior to the claims against the Issuer in respect of Subordinated Notes; and
- (9) "Other *Pari Passu* Claims" means claims of creditors of the Issuer which are subordinated so as to rank *pari passu* with the claims against the Issuer in respect of Subordinated Notes.

(C) Upon the occurrence of a Subordination Event and so long as it continues, no payment (other than payment of any amounts that have become payable before the date on which a Subordination Event shall have occurred) will be made under the relevant Subordinated Notes in the relevant Subordination Event proceedings unless and until all the Senior Indebtedness in the relevant Subordination Event proceedings has been:

- (1) in the case of a Japanese Bankruptcy Event, paid or provided to be paid in full (including discharge by deposit of funds with the competent authority);
- (2) in the case of a Japanese Reorganisation Event, paid in full without giving effect to any modification set forth in the final reorganisation plan approved by the court;
- (3) in the case of a Japanese Dissolution Event, paid or otherwise discharged in full in accordance with the Company Act;
- (4) in a Japanese Rehabilitation Event, paid in full without giving effect to any modifications set forth in the final rehabilitation plan approved by the court under the Rehabilitation Law; or
- (5) in the case of a Foreign Event, paid or provided to be paid or otherwise discharged in full in accordance with applicable law.

For the avoidance of doubt, if a competent court in Japan shall have adjudicated the Issuer to be subject to a Japanese Bankruptcy Event, the claims of the holders of the Subordinated Notes rank junior to the claims of the Statutory Subordinated Bankruptcy Claims (*Retsugoteki Hasan Saiken*) in distribution in such Japanese Bankruptcy Event.

(iii) Certain additional provisions relating to Subordinated Notes

- (A) if any payment on the Subordinated Notes is made to any Noteholder or Couponholder after the occurrence of a Subordination Event and the amount of such payment shall exceed the amount, if any, that should have been so paid upon the proper application of the subordination provisions of these Conditions, the payment of such excess amount shall be deemed null and void and such Noteholder or Couponholder shall be obliged to return the amount of the excess payment within 10 days of receiving notice of the excess payment;

- (B) so long as any Subordination Event shall have occurred and be continuing, no holder of a Subordinated Note or relative Couponholder shall exercise any right to set off any liabilities of the Issuer under the relevant Subordinated Notes against any liabilities of such Noteholder or Couponholder owed to the Issuer unless and until (and only in such amount as) the liabilities of the Issuer under the relevant Subordinated Notes become payable pursuant to the proper application of the subordination provisions of these Conditions; and
- (C) no amendment or modification may be made to the subordination provisions contained in this Condition 3(b) which would in any way be prejudicial to or impair the benefits of such provisions extending to any present or future creditor of the Issuer in respect of any Senior Indebtedness, as the case may be, and no such amendment or modification will in any event be effective against any third party.

#### **4 Negative Pledge**

So long as any of the Senior Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement):

- (i) the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its assets present or future to secure any Relevant Debt or any guarantee of or indemnity in respect of any Relevant Debt,
- (ii) permit to subsist any pledge, mortgage charge or other security interest given by a third party in respect of any Relevant Debt of the Issuer,

without in any such case at same time or prior thereto securing the Senior Notes equally and rateably therewith or providing such other security for the Senior Notes as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Senior Noteholders.

For the purposes of this Condition 4, “Relevant Debt” means any indebtedness of the Issuer or any other person in the form of, or represented by, notes, bonds, debentures which are not repayable (otherwise than at the option of or due to the default of the Issuer or guarantor thereof) within one year from the date of their creation and that are, or are intended to be or are capable of being, quoted, listed, or ordinarily dealt in or traded on any stock exchange, over-the-counter or other organised market for securities and either (A) are by their terms payable, or confer a right to receive any payment, in any currency other than yen or (B) are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Issuer or (as the case may be) the other person being the issuer thereof.

#### **5 Interest and other Calculations**

##### *5(a) Interest on Fixed Rate Notes*

Each Fixed Rate Note 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. The amount of interest payable shall be determined in accordance with Condition 5(h).

##### *5(b) Interest on Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes and Credit Linked Notes*

###### *(i) Interest Payment Dates*

Each Floating Rate Note, Index Linked Interest Note, Equity Linked Interest Note and Credit Linked Notes 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. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date(s) shall mean each date which falls the number of months or other period

shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, 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 Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if

there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (through substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Benchmark Event

If a Benchmark Event (as defined below) occurs in relation to an Original Reference Rate (as defined below) when any Interest Amount and/or Rate of Interest (or any component used in the calculation thereof) or any other calculation in respect of the Notes remains to be

determined by reference to such Original Reference Rate, then the Calculation Agent shall in good faith use its reasonable endeavours to determine a Successor Rate (as defined below), failing which an Alternative Rate (as defined below) (in accordance with Condition 5(b)(iii)(C)(i)) and, in either case, an Adjustment Spread (as defined below) if any (in accordance with Condition 5(b)(iii)(C)(ii)) and any Benchmark Amendments (as defined below) (in accordance with Condition 5(b)(iii)(C)(iii)).

In performing its duties and functions under this Condition 5(b)(iii)(C), the Calculation Agent shall act in good faith and in a commercially reasonable manner. In the absence of wilful default, bad faith or fraud, the Calculation Agent shall have no liability whatsoever to the Issuer, the other Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it pursuant to this Condition 5(b)(iii)(C).

- (i) If the Calculation Agent determines that:
  - (a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Interest Amount and/or Rate of Interest (or the relevant component used in the calculation thereof) for the next succeeding Interest Accrual Period (and thereafter) and/or any other such calculation in respect of the Notes made by reference to the Original Reference Rate (subject to the operation of this Condition 5(b)(iii)(C));
  - (b) there is no Successor Rate but there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Interest Amount and/or Rate of Interest (or the relevant component used in the calculation thereof) for the next succeeding Interest Accrual Period (and thereafter) and/or any other such calculation in respect of the Notes made by reference to the Original Reference Rate (subject to the operation of this Condition 5(b)(iii)(C));
  - (c) notwithstanding subparagraphs (a) and (b) above, where there is a Successor Rate or an Alternative Rate but the Calculation Agent genuinely believes that the application of such Successor Rate or Alternative Rate is inappropriate or unsuitable for the Notes, then the Calculation Agent may select, in good faith and in a commercially reasonable manner, such other methodology for the determination which it determines would be appropriate, taking into account any relevant and applicable market precedents and customary market usage as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets; or
  - (d) in the event that the Calculation Agent determines none of sub-paragraphs (a) to (c) above is applicable to the Notes, the Calculation Agent shall give notice of the same to the Issuer (copied to the Fiscal Agent) and the Issuer shall redeem the Notes in accordance with Condition 6(h) (a “Benchmark Redemption Event”).
- (ii) The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).
- (iii) If the Calculation Agent determines that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “Benchmark Amendments”), the Calculation Agent shall determine (a) the terms of the Benchmark Amendments and, (b) where applicable, any other modifications including, but not limited to, any Margin, Maximum or Minimum Rate of Interest or Rate Multiplier applicable to the Notes (or relevant adjustments required to be made for a Swap Transaction), and shall give notice of the same to the Issuer (copied to the Fiscal Agent). Upon receipt of such notice, the Issuer shall, without any requirement for the consent or approval of Noteholders, vary these Conditions to

give effect to such Benchmark Amendments with effect from the date specified in such notice, subject to giving notice thereof in accordance with Condition 5(b)(iii)(C)(iv). For the avoidance of doubt, the Fiscal Agent shall not be liable for any determinations made by the Calculation Agent or the Issuer pursuant to this Condition 5(b)(iii)(c) and any consequences of such determinations.

In connection with any such variation in accordance with this Condition 5(b)(iii)(C), the Issuer shall act in good faith and comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

- (iv) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(b)(iii)(C), will be notified promptly by the Issuer to the relevant Fiscal Agent and (if any) the Calculation Agent and, in accordance with Condition 15, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (v) Without prejudice to the obligations of the Issuer and/or the Calculation Agent under this Condition 5(b)(iii)(C), the Original Reference Rate and the conventional fallback provisions (as specified in Conditions 5(b)(B)(y) and 5(b)(B)(z)) will continue to apply unless and until a Benchmark Event has occurred.
- (vi) For the avoidance of doubt, this Condition 5(b)(iii)(C) shall apply to the relevant next succeeding Interest Accrual Period and any subsequent Interest Accrual Periods thereafter.
- (vii) As used in this Condition 5(b)(iii)(C):

“Adjustment Spread” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (1) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (2) (if no such recommendation has been made, or in the case of an Alternative Rate) the Calculation Agent, acting in good faith and in a commercially reasonable manner, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate;
- (3) (if the Calculation Agent determines that no such spread is customarily applied for sub-paragraph (2) above) the Calculation Agent, acting in good faith and in a commercially reasonable manner, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (4) (if the Calculation Agent determines that no such customary or industry standard is recognised or acknowledged) the Calculation Agent, acting in good faith and in a commercially reasonable manner, determines to be appropriate, taking into account any relevant and applicable market precedents and/or customary market usage as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets.

“Alternative Rate” means an alternative benchmark or screen rate which the Calculation Agent determines is customary in market usage in the international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component used in the calculation thereof) in the same Specified Currency as the Notes and/or any other such calculation in respect of the Notes made by reference to the Original Reference Rate.

“Benchmark Amendments” has the meaning given to it in Condition 5(b)(iii)(C)(iii).

“Benchmark Event” means:

- (1) the Original Reference Rate (or the publication thereof) is permanently discontinued;
- (2) the definition, methodology, formula, or other means for the determination or calculation of the Original Reference Rate, is materially changed;
- (3) a public statement by the regulatory supervisor for the administrator of such Original Reference Rate announcing that such Original Reference Rate is no longer representative or shall no longer be used;
- (4) any authorisation, registration, recognition, endorsement, equivalence or approval in respect of the Original Reference Rate and/or the administrator of the Original Reference Rate required by applicable law or regulation in order for the Issuer, the Calculation Agent and/or any other entity to perform its or their respective obligations under the Conditions and/or the Agency Agreement is rejected, refused, suspended, withdrawn or otherwise not obtained or maintained;
- (5) the Original Reference Rate has on a specified date, as a matter of law, regulation or the announcement of, or protocol published by, any industry body, including, without limitation, ISDA, been superseded or designated as no longer being the industry standard for transactions that would previously have referenced the Original Reference Rate; or
- (6) any other circumstances where, taking into account of the occurrence or developments relating to sub-paragraphs (1) to (5) above, the Calculation Agent, acting in good faith and in commercially reasonable manner, determines that the use of Original Reference Rate has become or will have become inappropriate or unsuitable in respect of the Notes;

provided that, in any case, the Benchmark Event shall occur at a date on which the Original Reference Rate is discontinued, materially changed, prohibited to use or becomes otherwise no longer available, published, recognised or representative as anticipated above or, in the case of sub-paragraph (6) above, on such date as specified by the Calculation Agent.

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Interest Amount and/or Rate of Interest (or any component used in the calculation thereof) or other calculation in respect of the Notes.

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or



- (2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the financial stability board or any part thereof.

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body for the purposes of determining rates of interest (or the relevant component used in the calculation thereof) in the same Specified Currency as the Notes and/or any other such calculation in respect of the Notes made by reference to the Original Reference Rate.

(iv) Rate of Interest for Index Linked Interest Notes

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon. To the extent applicable, the provisions of Condition 6(a)(iv) shall apply and the Early Redemption Date shall be deemed to be a Specified Interest Payment Date, as specified hereon.

(v) Rate of Interest for Equity Linked Interest Notes

The Rate of Interest in respect of Equity Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon, and interest will accrue by reference to such Share Price or Formula as specified hereon. To the extent applicable, the provisions of Condition 6(a)(iii) shall apply, as specified hereon.

(vi) Accrual of Interest on Credit Linked Notes

Notwithstanding Condition 5(f), if:

- (a) “No Accrual of Interest upon Credit Event” is specified as being applicable hereon, each Note shall cease to bear interest from the Interest Payment Date (or, if none, the Interest Commencement Date) immediately preceding the Credit Event Determination Date, or if the Credit Event Determination Date is an Interest Payment Date (or, as the case may be, the Interest Commencement Date) such Interest Payment Date (or, as the case may be, the Interest Commencement Date); or
- (b) “Partial Accrual of Interest upon Credit Event” is specified as being applicable hereon, each Note shall continue to bear interest from the Interest Payment Date (or, if none, the Interest Commencement Date) immediately preceding the Credit Event Determination Date, or if the Credit Event Determination Date is an Interest Payment Date (or, as the case may be, the Interest Commencement Date) such Interest Payment Date (or, as the case may be, the Interest Commencement Date), but shall cease to bear interest from the Credit Event Determination Date.

If:

- (a) Conditions 6(a)(v)(5), 6(a)(v)(6) or 6(a)(v)(7) applies in respect of the Notes and, in the case of Condition 6(a)(v)(5), a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Condition 6(a)(v)(6), a Failure to Pay has not occurred on or prior to the Grace Period Extension Date or, in the case of Condition 6(a)(v)(7), a Credit Event has not occurred prior to the DC Cut-off Date, as the case may be; and/or

- (b) Condition 6(a)(v)(8) applies in respect of the Notes and the Scheduled Observation End Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, is postponed as provided therein,

then interest will accrue as provided in Condition 6(a)(v)(5), Condition 6(a)(v)(6), Condition 6(a)(v)(7) or Condition 6(a)(v)(8), as the case may be.

*5(c) Zero Coupon Notes*

Where a Note, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

*5(d) Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

*5(e) Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes) interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

*5(f) Accrual of Interest*

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 9).

*5(g) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts, Rate Multipliers and Redemption Amounts and Rounding*

- (i) If any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual 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 Accrual Periods, in the case of (y), calculated in accordance with (b) 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, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (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 amount of such currency that is available as legal tender in the country of such currency.

*5(h) Calculations*

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation), is applicable to such Interest Accrual Period, in which case the amount of interest payable per

Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

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

The Calculation Agent shall as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange, as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

*5(j) Calculation Agent and Reference Banks*

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## **6 Redemption, Purchase and Options**

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

(i) Redemption by Instalments

Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each

Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

- (ii) Final Redemption (all Notes other than Equity Linked Redemption Notes, Index Linked Redemption Notes and Credit Linked Notes)

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

- (iii) Final Redemption (Equity Linked Redemption Notes)

- (1) Unless previously redeemed or purchased and cancelled, the Notes will be finally redeemed by the Issuer at the Final Redemption Amount specified hereon or in accordance with the formula specified hereon, provided that if no Final Redemption Amount or formula for determining the Final Redemption Amount is specified hereon or such formula so determines, the Final Redemption Amount in respect of a Note shall be the outstanding nominal amount of such Note.

- (2) For the purposes of this Condition 6(a)(iii):

- (A) If Potential Adjustment Events are specified hereon as being applicable, following the declaration by any Share Issuer of the terms of any Potential Adjustment Event (as defined in Condition 7), the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will (i) make the corresponding adjustment, if any, to the Strike Price and/or any of the number of Shares deliverable hereunder and any other relevant terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect including, if Share Substitution is specified hereon and the Calculation Agent so determined in its absolute discretion, the replacement of the relevant Share Issuer and its Shares as provided in Condition 6(a)(iii)(5) and (ii) determine the effective date of that adjustment. Notwithstanding the foregoing, such adjusted number of the Shares shall always be a multiple of a trading unit of the Shares (a "Unit"); and the Issuer shall pay in the Specified Currency stated hereon to the holder of a Note a cash adjustment equal to the aggregate market value (as determined by the Calculation Agent in its sole and absolute discretion) of the Shares representing less than one Unit. Unless the context otherwise requires, references herein to the delivery of the Shares shall include the payment of such cash adjustment.

The Calculation Agent may (but need not) in its absolute discretion determine the appropriate adjustments by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

Upon making such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 15 or such notice period set out hereon.

If Potential Adjustment Events are specified hereon as being applicable and in the case of Shares which are depository receipts, following the declaration by the Underlying Share Issuer (if applicable) of the terms of any Potential Adjustment Event in relation to the Underlying Shares, the Calculation Agent may, in making any adjustment following any Potential Adjustment Event, have reference to (amongst other factors) any adjustment

made by the Share Issuer under the Deposit Agreement. If the Calculation Agent determines that no adjustment that it could make will produce a commercially reasonable result, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 15 or such notice period set out hereon that the relevant consequence shall be the redemption of the Notes at their Early Redemption Amount on such date as the Issuer may notify to Noteholders in accordance with Condition 15, such Early Redemption Amount to be determined by the Calculation Agent in its sole and absolute discretion, to be equal to the fair market value of the Notes taking into account the Potential Adjustment Event, less the cost to the Issuer of unwinding or amending any related underlying hedging arrangements. If, however, Share Substitution is specified as applicable hereon, the Calculation Agent may, in its absolute discretion, as an alternative to so redeeming the Notes, replace the Share Issuer or any Underlying Share Issuer and its Shares as provided in Condition 6(a)(iii)(5).

In the case of Shares which are depository receipts, if a Potential Adjustment Event occurs under paragraph (h) of the definition of “Potential Adjustment Event”, then the following amendments shall be deemed to be made to the first paragraph of this Condition 6(a)(iii)(2)(A) in respect of such Potential Adjustment Event:

- (i) the words “the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares” shall be deleted and replaced with the words “the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on the Notes”; and
  - (ii) the words “as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect” shall be deleted and replaced with the words “as the Calculation Agent in its sole and absolute discretion determines appropriate to account for such economic effect on the Notes”.
- (B) If Merger Event is specified hereon as being applicable, the following provisions will apply if the Calculation Agent determines (in its sole and absolute discretion) that a Merger Event has occurred:
- (i) if under “Consequences of a Merger Event” in relation to “Share-for-Combined”, “Share-for-Other” or “Share-for-Share”, the consequence specified hereon is “Alternative Obligation”, then except in respect of a Reverse Merger, on or after the relevant Merger Date, the New Shares and/or the amount of Other Consideration, if applicable (as subsequently modified in accordance with any relevant terms and including the proceeds of any redemption, if applicable), and their issuer (if any) will be deemed the relevant “Shares” and the relevant “Share Issuer”, respectively, the number of New Shares and/or the amount of Other Consideration, if applicable, (as subsequently modified in accordance with any relevant terms and including the proceeds of any redemption, if applicable) to which a holder of the relevant number of Shares immediately prior to the occurrence of the Merger Event would be entitled upon consummation of the Merger Event will be deemed the relevant “number of Shares” and, if the Calculation Agent determines it to be appropriate, the Calculation Agent will adjust any relevant terms as it may, in its discretion determine, including, if Share Substitution is specified as applicable hereon and the Calculation Agent so determines in its absolute discretion, the replacement of the relevant Share Issuer and its Shares as provided in Condition 6(a)(iii)(5), provided, however, that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares;
  - (ii) if under “Consequences of a Merger Event” in relation to “Share-for-Combined”, “Share-for-Other” or “Share-for-Share”, the consequence specified hereon is “Redemption and Payment”, then the Issuer shall redeem the Notes, on such date as the Issuer may notify to Noteholders in accordance with Condition 15, at their

Early Redemption Amount, such Early Redemption Amount to be determined by the Calculation Agent in its sole and absolute discretion, to be equal to the fair market value of the Notes as at the Merger Date taking into account the Merger Event, less the cost to the Issuer of unwinding or amending any related underlying hedging arrangements. Notice of such redemption shall be given to the Noteholders in accordance with Condition 15. If, however, Share Substitution is specified as applicable hereon, the Calculation Agent may, in its absolute discretion, as an alternative to so redeeming the Notes, replace the relevant Share Issuer and its Shares as provided in Condition 6(a)(iii)(5);

- (iii) if under “Consequences of a Merger Event” in relation to “Share-for-Combined”, “Share-for-Other” or “Share-for-Share”, the consequence specified hereon is “Calculation Agent Adjustment” or if no consequence of a Merger Event is so specified then, on or after the relevant Merger Date, the Calculation Agent shall either (i)(A) make such adjustment to the exercise, settlement, payment or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Merger Event (in which the Calculation Agent may, where the Shares are depository receipts, have reference (amongst other factors) to any adjustment made by the Share Issuer under the Deposit Agreement), including, if Share Substitution is specified as applicable hereon and the Calculation Agent so determines in its absolute discretion, the replacement of the relevant Share Issuer and its Shares as provided in Condition 6(a)(iii)(5) (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event by an options exchange to options on the relevant Shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Issuer shall notify the Noteholders in accordance with Condition 15 that the relevant consequence shall be the redemption of the Notes in which case “Redemption and Payment” will be deemed to apply;
  - (iv) if under “Consequences of a Merger Event” in relation to “Share-for-Combined”, the consequence specified hereon is “Component Adjustment”, then in respect of a Share-for-Combined Merger Event, the consequence specified opposite “Share-for-Share” shall apply to that portion of the consideration that consists of New Shares (as determined by the Calculation Agent) and the consequence specified opposite “Share-for-Other” shall apply to that portion of the consideration that consists of Other Consideration (as determined by the Calculation Agent).
- (C) If Tender Offer is specified as applicable in respect of any Shares hereon and the Calculation Agent has determined (in its sole and absolute discretion) that a Tender Offer has occurred, the following provisions will apply:
- (i) if under “Consequences of a Tender Offer” in relation to “Share-for-Combined”, “Share-for-Other” or “Share-for-Share”, the consequence specified hereon is “Redemption and Payment”, then the Issuer shall redeem the Notes at their Early Redemption Amount as at the Tender Offer Date on such date as the Issuer may notify to Noteholders in accordance with Condition 15. Notice of such redemption shall be given to the Noteholders in accordance with Condition 15. If, however, Share Substitution is specified as applicable hereon, the Calculation Agent may, in its absolute discretion, as an alternative to so redeeming the Notes, replace the relevant Share Issuer and its Shares as provided in Condition 6(a)(iii)(5);
  - (ii) if under “Consequences of a Tender Offer” in relation to “Share-for-Combined”, “Share-for-Other” or “Share-for-Share”, the consequence specified hereon is “Calculation Agent Adjustment” or if no consequence of a Tender Offer is so specified then, on or after the relevant Tender Offer Date, the Calculation Agent

- shall either (i)(A) make such adjustment to the exercise, settlement, payment or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Tender Offer (in which the Calculation Agent may, where the Shares are depository receipts, have reference (amongst other factors) to any adjustment made by the Share Issuer under the Deposit Agreement) including, if Share Substitution is specified as applicable hereon and the Calculation Agent so determines in its absolute discretion, the replacement of the relevant Share Issuer and its Shares as provided in Condition 6(a)(iii)(5) (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Tender Offer by an options exchange to options on the relevant Shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Issuer shall notify the Noteholders in accordance with Condition 15 that the relevant consequence shall be the redemption of the Notes, in which case “Redemption and Payment” will be deemed to apply.
- (iii) if under “Consequences of a Tender Offer” in relation to “Share-for-Combined”, the consequence specified hereon is “Component Adjustment”, then in respect of a Share-for-Combined Tender Offer, the consequence specified opposite “Share-for-Share” shall apply to that portion of the consideration that consists of New Shares (as determined by the Calculation Agent) and the consequence specified opposite “Share-for-Other” shall apply to that portion of the consideration that consists of Other Consideration (as determined by the Calculation Agent).
- (D) If Nationalisation, Insolvency or De-Listing is specified as applicable in respect of any shares hereon and the Calculation Agent has determined (in its sole and absolute discretion) that a Nationalisation, Insolvency or De-Listing event has occurred in relation to the Shares on or prior to the Valuation Date (Equity), either (a) the Issuer shall redeem all but not some only of the Notes at their Early Redemption Amount on such date as the Issuer may notify to Noteholders in accordance with Condition 15, such Early Redemption Amount to be determined by the Calculation Agent in its sole and absolute discretion, to be equal to the fair market value of the Notes taking into account the Nationalisation, Insolvency or De-Listing, as the case may be, less the cost to the Issuer of unwinding or amending any related underlying hedging arrangements, or (b) if “Share Substitution” is specified as applicable hereon, the Issuer may apply the provisions of Condition 6(a)(iii)(5). Notice of any redemption of the Notes or determination pursuant to this paragraph shall be given to Noteholders in accordance with Condition 15.

In the case of Shares which are depository receipts, if Nationalisation or Insolvency is specified as applicable and such event has occurred in respect of the Shares or the Share Issuer, notwithstanding anything to the contrary in this Condition 6(a)(iii)(2)(D), the Calculation Agent in its sole and absolute discretion may determine that an early redemption of the Notes shall not occur and instead the Shares shall be replaced by depository receipts other than the Shares over the same Underlying Shares and the terms of the Notes shall be amended accordingly to reference such other depository receipts.

In the case of Shares which are depository receipts, if a De-Listing of the Shares is specified as applicable and such event occurs or the Share Issuer announces that the Deposit Agreement is (or will be) terminated, then notwithstanding anything to the contrary in this Condition 6(a)(iii)(2)(D), the Calculation Agent in its sole and absolute discretion may determine that an early redemption of the Notes shall not occur and instead the Shares shall be replaced by either (i) depository receipts other than the Shares over the same Underlying Shares; or (ii) Underlying Shares and the terms of the Notes shall be amended accordingly to reference such other depository receipts or Underlying Shares (as applicable).

- (E) The Issuer shall notify each of the Paying Agent, Transfer Agent and each Stock Exchange on which the Notes are listed of any adjustment made pursuant to this Condition 6(a)(iii) and the Issuer shall procure that such adjustments are made available to Noteholders at the specified offices of the Paying Agent and, if so required by the rules of the stock exchange(s) on which the Notes are listed or the relevant competent authority, that notice of such adjustments are notified to Noteholders as required by the relevant stock exchange or competent authority.
  - (F) If an Exchange is changed, the Calculation Agent may make such consequential modifications to the Initial Share Price, Specified Currency, Valuation Time and such other provisions of the terms and conditions as it may determine. Any such modification will be promptly notified to the Noteholders in accordance with Condition 15.
- (3) For the purposes of this Condition 6(a)(iii):
- (A) If the Calculation Agent determines that any Initial Setting Date, or Valuation Date (Equity), is a Disrupted Day in respect of one or more Shares, then the Initial Setting Date, or Valuation Date (Equity), as the case may be, in respect of all Shares will be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of all Shares, unless each of the two Scheduled Trading Days immediately following the original date that, but for the determination by the Calculation Agent of the occurrence of a Disrupted Day, would have been such Initial Setting Date or Valuation Date (Equity), as the case may be, is a Disrupted Day. In that case, (i) that second Scheduled Trading Day will be deemed to be the Initial Setting Date or Valuation Date (Equity), as the case may be, in respect of all Shares, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the price of one such Share as its good faith estimate of the price of one such Share that would have prevailed, but for the occurrence of a Disrupted Day, at the Valuation Time on that second Scheduled Trading Day.
  - (B) If the Calculation Agent determines that an Initial Averaging Date or Averaging Date is a Disrupted Day in respect of a Share and if, under “Initial Averaging Date Disrupted Day” or “Averaging Date Disrupted Day” hereon, the consequence specified is:
    - (i) “Omission”, then such Initial Averaging Date or Averaging Date will be deemed not to be a relevant Initial Averaging Date or Averaging Date for the purposes of determining the relevant Redemption Amount, provided that, if through the operation of this provision there would not be an Initial Averaging Date or Averaging Date, as the case may be, then Condition 6(a)(iii)(3)(A) will apply *mutatis mutandis* for the purposes of determining the relevant price or amount on the final Initial Averaging Date or final Averaging Date, as the case may be;
    - (ii) “Postponement”, then Condition 6(a)(iii)(3)(A) will apply *mutatis mutandis* for purposes of determining the relevant price or amount on that Initial Averaging Date or Averaging Date irrespective of whether, pursuant to such determination, that deferred Initial Averaging Date or Averaging Date would fall on a day that already is or is deemed to be an Initial Averaging Date or Averaging Date in respect of that Share; or
    - (iii) “Modified Postponement”, then the Initial Averaging Date or Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the second Scheduled Trading Day immediately following the original date that, but for the occurrence of another Initial Averaging Date or Averaging Date or Disrupted Day in respect of that Share, would have been the final Initial Averaging Date or final Averaging Date, as the case may be, then (A) that second Scheduled Trading Day shall be deemed the Initial Averaging Date or Averaging Date in respect of that Share (irrespective of whether that second Scheduled Trading Day is already an Initial Averaging Date or Averaging Date), and (B) the Calculation Agent shall determine the relevant price



for that Initial Averaging Date or Averaging Date with its good faith estimate of the Exchange traded price for the relevant Share that would have prevailed, but for the occurrence of a Disrupted Day, at the Valuation Time on that second Scheduled Trading Day.

- (4) If pursuant to the formula specified hereon, the Final Redemption Amount shall be the procurement of the delivery of Shares, in order to obtain the delivery of the Share Amount in respect of any Equity Linked Redemption Note, the relevant Noteholder must deliver to any Paying Agent or Transfer Agent at least two Share Business Days (as defined below) prior to the Share Amount Settlement Date, such Equity Linked Redemption Note and a duly completed Share Transfer Notice substantially in the form set out in Schedule 8 to the Agency Agreement or as otherwise specified hereon (the “Share Transfer Notice”), a copy of which may be obtained from the specified office of any of the Payment Agents or, as the case may be, Transfer Agents.

The delivery of the Share Amount shall be made by transfer of the Share Amount to such account at the Share Delivery Clearance System or such other account at the Relevant Clearing System (if the relevant Shares have been accepted for clearance by the Relevant Clearing System) as the relevant Noteholder shall irrevocably designate in the Share Transfer Notice (“Delivery Method”) or any such other Delivery Method as may be specified in such Share Transfer Notice.

All expenses including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or other taxes or duties (together “Delivery Expenses”) arising from the delivery and/or transfer of the Share Amount shall be for the account of the relevant Noteholder and no delivery and/or transfer of the Share Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

The Share Transfer Notice must:

- (i) specify the information requested under the Delivery Method specified therein;
- (ii) contain an undertaking by the relevant Noteholder to reimburse and indemnify the relevant Clearing System and Issuer in respect of any Delivery Expenses which may arise on delivery of the Share Amount; and
- (iii) authorise the production of such notice in any applicable administrative or legal proceedings.

The Share Transfer Notice may not be withdrawn after receipt thereof by a Paying Agent, a Transfer Agent, Euroclear or Clearstream, Luxembourg, as the case may be. After delivery of such notice, the relevant Noteholder may not transfer the Equity Linked Redemption Notes which are the subject of such notice.

Failure properly to complete and deliver a Share Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made by the Paying Agent or Transfer Agent to whom such Share Transfer Notice is delivered or Euroclear or Clearstream, Luxembourg, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Subject as provided in this Condition, the Share Amount will be delivered at the risk of the relevant Noteholder using the Delivery Method on the Share Amount Settlement Date, provided that the Share Transfer Notice is delivered to the Paying Agent, Transfer Agent, Euroclear or Clearstream, Luxembourg, as the case may be, not later than close of business in the place of receipt on the day (the “Cut-off Date”) which is two Share Business Days immediately preceding the Share Amount Settlement Date or such other date as specified hereon. If the Share Transfer Notice is delivered to the Paying Agent, Transfer Agent,

Euroclear or Clearstream, Luxembourg, as the case may be, later than close of business in the place of receipt on the Cut-off Date, then the Share Amount will be delivered as soon as practicable after the originally designated Share Amount Settlement Date (in which case, such date of delivery shall be the Share Amount Settlement Date) at the risk of such Noteholder in the manner provided above. For the avoidance of doubt, such Noteholder shall not be entitled to any payment, whether of interest or otherwise, in the event of the Share Amount Settlement Date falling after the originally designated Share Amount Settlement Date as a result of the failure by the relevant Noteholder to have delivered the relevant Share Transfer Notice by the close of business in the place of receipt on the Cut-off Date. If, in respect of an Equity Linked Redemption Note, the relevant Noteholder fails to deliver a Share Transfer Notice in the manner set out in this Condition 6(a)(iii)(4) or delivers a Share Transfer Notice to the Paying Agent, Transfer Agent, Euroclear or Clearstream, Luxembourg, as the case may be, on any day falling after the day that is 180 calendar days after the originally designated Share Amount Settlement Date, the Issuer shall be discharged from its obligation in respect of such Equity Linked Redemption Note and shall have no further obligation or liability whatsoever in respect thereof.

If, prior to the delivery in accordance with this Condition 6(a)(iii)(4) of the Share Amount in respect of any Equity Linked Redemption Note, a Settlement Disruption Event (as defined below) is subsisting, then the Share Amount Settlement Date in respect of such Equity Linked Redemption Note shall be postponed until the date on which no Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Noteholder in accordance with Condition 15. If Disruption Cash Settlement is specified as applying hereon and delivery of the Share Amount is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of each nominal amount of Equity Linked Redemption Notes equal to the Specified Denomination by payment to the relevant Noteholder of the Disruption Cash Settlement Price (as defined below) on the third Share Business Day following the date that notice of such election is given to the relevant Noteholder in accordance with Condition 15. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholder in accordance with Condition 15. No Noteholder shall be entitled to any payment whether of interest or otherwise on any Equity Linked Redemption Note in the event of any delay in the delivery of the Share Amount pursuant to this paragraph and no liability in respect thereof shall attach to the Issuer or the Calculation Agent.

For such period of time after the Share Amount Settlement Date as the Issuer or any person on behalf of the Issuer shall continue to be the legal owner of the securities included in the Share Amount, neither the Issuer nor any other such person shall (i) be under any obligation to deliver or procure delivery to such Noteholder or any subsequent beneficial owner of such securities any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such securities, (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such securities or (iii) be under any liability to such Noteholder or any subsequent beneficial owner of such securities in respect of any loss or damage which such Noteholder or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of such securities.

Neither the Issuer nor any Paying Agent nor Transfer Agent shall be under any obligation to register or procure the registration of any holder of any Equity Linked Redemption Note or any other person acting on behalf of such holder or any other person as the registered holder of any securities comprising the Share Amount in respect of such Equity Linked Redemption Note.

All dividends on the shares comprising the Share Amount to be delivered will be payable to the party that would receive such dividends according to market practice for a sale of the securities comprising the Share Amount executed on the Cut-off Date. Any such dividends to be paid to a Noteholder shall be paid in such manner as shall be notified to Noteholders in accordance with Condition 15. The Issuer shall not at any time be obliged to account to a

Noteholder for any amount or entitlement that it receives by way of a dividend or other distribution in respect of any of the Notes. Dividends and distributions in respect of the Shares which constitute a Potential Adjustment Event may however result in an adjustment being made pursuant to Condition 6(a)(iii)(2)(A).

The aggregate Share Amount to which a Noteholder may be entitled will be determined on the basis of the aggregate number of Notes which are the subject of the Share Transfer Notice. The Issuer shall not be obliged to deliver a fraction of a Share but shall be obliged to account for the Fractional Cash Amount of any such fraction to the relevant Noteholder on the Maturity date and the Share Amount to be delivered shall be rounded down to the next integral number of Shares.

- (5) If “Share Substitution” is specified as applicable hereon, then, where this Condition 6(a)(iii)(5) is expressed to apply, in place of any Share Issuer in relation to which this Condition 6(a)(iii)(5) applies (an “Affected Share Issuer”), the Calculation Agent may, at its discretion, select a Substitute Share Issuer which shall be deemed to be a Share Issuer and the Shares of such Substitute Share Issuer as determined by the Calculation Agent shall be deemed to be Shares in the place of the Shares of the Affected Share Issuer (the “Affected Shares”) and the Calculation Agent shall make such adjustments to the calculation of the Final Redemption Amount and/or to any other relevant terms as it may determine in good faith, in its absolute discretion, to be appropriate.

In addition, following a Merger Event involving two or more Share Issuers, the Calculation Agent may, in its absolute discretion, designate one or more of such Share Issuers as an Affected Share Issuer and select a Substitute Share Issuer in order to maintain the same number of Share Issuers as before the relevant Merger Event and, in the event of a demerger of a Share Issuer such that the holder of Shares in the relevant Share Issuer would thereby become the holder of Shares in two or more companies in place of the relevant Shares, the Calculation Agent may, in its absolute discretion, following the declaration by the Share Issuer of the terms of such demerger, deem such Share Issuer an Affected Share Issuer.

(iv) Final Redemption (Index Linked Redemption Notes)

Unless previously redeemed or purchased and cancelled, the Notes will be finally redeemed by the Issuer at the Final Redemption Amount specified hereon or in accordance with the formula specified hereon, provided that if no Final Redemption Amount or formula for determining the Final Redemption Amount is specified hereon or such formula so determines, the Final Redemption Amount in respect of a Note shall be the outstanding nominal amount of such Note.

- (1) If the Index is not calculated and announced by the Sponsor but is calculated and announced by a Third Party, then the Index will be deemed to be the Index so calculated and announced by that Third Party.
- (2) If neither the Sponsor nor any Third Party publishes the Index, but instead publishes a successor or substitute index that the Calculation Agent determines, in its absolute discretion, to be comparable to the Index (any successor or substitute index being hereinafter referred to as the “Successor Index”) then the Calculation Agent shall make such calculations as it determines may be required by reference to the relevant levels of such Successor Index.
- (3) If on or prior to any Valuation Date (Index) neither the Sponsor nor any Third Party calculates and disseminates the Index and neither has provided any Successor Index, the Calculation Agent shall make such calculation as it determines may be required using the formula for and method of calculating the Index as in effect on the date the Index was last so calculated.
- (4) If in the determination of the Calculation Agent an Index Adjustment Event occurs then:
  - (A) if “Calculation Agent Adjustment” is specified under “Modification or Discontinuation of an Index” as applicable hereon, the Calculation Agent shall calculate the relevant Redemption Amount and/or any other relevant terms, using, in lieu of a published level

for such Index, the level for such Index as at the relevant Valuation Time on the relevant Valuation Date (Index), Initial Setting Date, Initial Averaging Date or Averaging Date as determined by the Calculation Agent in accordance with the formula for and method of calculating such Index last in effect before that change or failure, but using only those Competent Securities that comprised such Index immediately before that Index Adjustment Event (other than those Competent Securities that have since ceased to be listed on the relevant Exchange) and the Issuer shall notify the Fiscal Agent and the Noteholders thereof (in accordance with Condition 15), provided that if the Calculation Agent determines that the modification is solely of a mathematical nature it may in its discretion alternatively use the published level of the Index and make such consequential changes to the method of calculating the Final Redemption Amount and/ or any other relevant terms, as it may determine to be appropriate to preserve the economic equivalent effect of the Notes; or

- (B) if “Redemption and Payment” is specified under “Modification or Discontinuation of an Index” as applicable hereon, then (1) in the case of an Index Disruption the Notes shall be redeemed on such date as the Issuer may notify to Noteholders in accordance with Condition 15, such date being not later than five Business Days from the date of the relevant Index Adjustment Event, (2) in the case of an Index Cancellation, the Notes shall be redeemed on the later of the Exchange Business Day in respect of the relevant Index immediately prior to the effectiveness of the Index Cancellation and the date the Index Cancellation is announced by the Sponsor and (3) in the case of an Index Modification, such date as the Calculation Agent may in its discretion determine not later than the Scheduled Trading Day in respect of the relevant Index prior to the effectiveness of such Index Modification. In such event the Issuer shall pay in respect of each Note an amount determined by the Calculation Agent as representing the fair market value of such Note immediately prior to the relevant Valuation Date (Index), Initial Setting Date, Initial Averaging Date or Averaging Date (as the case may be), using in the case of a redemption following an Index Adjustment Event, the formula or method to calculate the relevant Index in effect immediately prior to such Index Adjustment Event. The Issuer will promptly notify Noteholders in accordance with Condition 15 and any stock exchange on which such Notes are listed of any such redemption.
- (C) if both “Calculation Agent Adjustment” and “Redemption and Payment” are specified under “Modification or Discontinuation of an Index” as applicable hereon (or if neither is so specified), the Calculation Agent may in its absolute discretion determine which provisions shall apply in any given circumstance.

- (5) For the purposes of this Condition 6(a)(iv):

If the Calculation Agent determines that any Initial Setting Date or Valuation Date (Index) is a Disrupted Day in respect of an Index, then the Initial Setting Date or Valuation Date (Index), as the case may be, for such Index shall be the first succeeding Scheduled Trading Day in respect of such Index that is not a Disrupted Day, unless each of the two Scheduled Trading Days immediately following the original date that, but for the determination by the Calculation Agent of the occurrence of a Disrupted Day, would have been such Initial Setting Date or Valuation Date (Index), as the case may be, is a Disrupted Day. In that case, (i) that second Scheduled Trading Day shall be deemed to be the Initial Setting Date or Valuation Date (Index), as the case may be, for such Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of such Index as of the relevant Valuation Time on that second Scheduled Trading Day in accordance with the formula for and method of calculating such Index last in effect prior to the occurrence of the first Disrupted Day using the quoted price as of the Valuation Time on that second Scheduled Trading Day of each Competent Security comprised in the Index (or, if the Calculation Agent determines that an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that second Scheduled Trading Day, its good faith estimate of the value for the relevant Competent Security as of the Valuation Time on that second Scheduled Trading Day). The Issuer shall as soon as reasonably practicable under the circumstances notify the Noteholders on which the Notes are listed of the occurrence of a Disrupted Day on any day

that, but for the occurrence of a Disrupted Day, would have been the Initial Setting Date, an Initial Averaging Date, an Averaging Date or a Valuation Date (Index). Failure by the Issuer to notify the Noteholders or any stock exchange of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

(6) For the purposes of this Condition 6(a)(iv), if the Calculation Agent determines that an Initial Averaging Date or Averaging Date is a Disrupted Day in respect of an Index and, if under “Initial Averaging Date Disrupted Day” or “Averaging Date Disrupted Day” hereon the consequence specified is:

(A) “Omission”, then such Initial Averaging Date or Averaging Date will be deemed not to be a relevant Initial Averaging Date or Averaging Date for the purposes of determining the relevant Redemption Amount and/or any other relevant terms, provided that, if through the operation of this provision there would not be an Initial Averaging Date or Averaging Date, as the case may be, then Condition 6(a)(iv)(5) will apply *mutatis mutandis* for the purposes of determining the relevant level on the final Initial Averaging Date or final Averaging Date, as the case may be;

(B) “Postponement”, then Condition 6(a)(iv)(5) will apply *mutatis mutandis* for the purposes of determining the relevant level on that Initial Averaging Date or Averaging Date irrespective of whether, pursuant to such determination, that deferred Initial Averaging Date or Averaging Date would fall on a day that already is or is deemed to be an Initial Averaging Date or Averaging Date in respect of the relevant Index; or

(C) “Modified Postponement”, then the Initial Averaging Date or Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the second Scheduled Trading Day immediately following the original date that, but for the occurrence of another Initial Averaging Date or Averaging Date or Disrupted Day in respect of the relevant Index, would have been the final Initial Averaging Date or final Averaging Date, as the case may be, in respect of the relevant Index then (A) that second Scheduled Trading Day shall be deemed the Initial Averaging Date or Averaging Date in respect of the relevant Index (irrespective of whether that second Scheduled Trading Day is already an Initial Averaging Date or Averaging Date), and (B) the Calculation Agent shall determine the relevant level for that Initial Averaging Date or Averaging Date in accordance with Condition 6(a)(iv)(5).

(v) Final Redemption (Credit Linked Notes)

(1) Unless previously redeemed or purchased and cancelled and subject as provided in Condition 6(a)(v)(2), Condition 6(a)(v)(3) and Condition 6(a)(v)(4), each nominal amount of Notes equal to the lowest Specified Denomination shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount specified hereon.

(2) ***Auction Settlement***

If the Conditions to Settlement are satisfied, where Auction Settlement is specified as the applicable Settlement Method hereon and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give notice (such notice an “**Auction Settlement Notice**”) to the Noteholders in accordance with Condition 15 and, subject to any adjustment in accordance with Condition 6(a)(v)(13), redeem all but not some only of the Notes, each nominal amount of Notes equal to the lowest Specified Denomination being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.

Unless settlement has occurred in accordance with the above paragraph, if (a) an Auction Cancellation Date occurs, (b) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of “No Auction Announcement Date” as set out in Condition 6(a)(v)(15), the Issuer has not exercised the Movement Option), (c) ISDA publicly announces that the relevant Credit

Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine the matters described in paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date” as set out in Condition 6(a)(v)(15), (d) a Credit Event Determination Date was determined pursuant to paragraph (a) of the definition of “Credit Event Determination Date” as set out in Condition 6(a)(v)(15) and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Credit Event Determination Date or (e) a Credit Event Determination Date was determined pursuant to paragraph (b)(B)(II)(1) or (b)(B)(II)(2) of the definition of “Credit Event Determination Date” as set out in Condition 6(a)(v)(15), then:

- (i) if Fallback Settlement Method – Cash Settlement is specified as applicable hereon, the Issuer shall redeem the Notes in accordance with Condition 6(a)(v)(3); or
- (ii) if Fallback Settlement Method – Physical Settlement is specified as applicable hereon, the Issuer shall redeem the Notes in accordance with Condition 6(a)(v)(4).

***If the Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 6(a)(v)(2), upon payment of the Credit Event Redemption Amount the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Issue Price or nominal amount of a Note. Any shortfall shall be borne by the Noteholder and no liability shall attach to the Issuer.***

(3) ***Cash Settlement***

If the Conditions to Settlement are satisfied, where Cash Settlement is specified as the applicable Settlement Method hereon or if Condition 6(a)(v)(2)(i) applies, the Issuer shall give notice (such notice a “**Settlement Notice**”) to the Noteholders as soon as practicable in accordance with Condition 15 and redeem all but not some only of the Notes (provided that each Note may be redeemed in part in respect of any Partial Redemption Amount as set forth in Condition 6(a)(v)(10)), each nominal amount of Notes equal to the lowest Specified Denomination being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.

***If the Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 6(a)(v)(3), upon payment of the Credit Event Redemption Amount in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the nominal amount of a Note. Any shortfall shall be borne by the Noteholder and no liability shall attach to the Issuer.***

(4) ***Physical Settlement***

If the Conditions to Settlement are satisfied, where Physical Settlement is specified as the applicable Settlement Method hereon or if Condition 6(a)(v)(2)(ii) applies, the Issuer shall, following the receipt of a Calculation Agent Settlement Notice, give notice (such notice a “**Physical Settlement Notice**”) to the Noteholders as soon as practicable and redeem all but not some only of the Notes (provided that each Note may be redeemed in part in respect of any Partial Redemption Amount as set forth in Condition 6(a)(v)(10)), each nominal amount of Notes equal to the lowest Specified Denomination being redeemed by Delivery of the Deliverable Obligations comprising the Asset Amount on the Settlement Date, subject to and in accordance with Conditions 6(a)(v)(9) and 6(a)(v)(10).

In the Physical Settlement Notice, the Issuer shall specify the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Asset Amount, irrespective of their market value.

The Issuer may, from time to time, amend a Physical Settlement Notice by delivering a notice to Noteholders in accordance with Condition 15 (each such notification, a “**Settlement Amendment Notice**”) that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Physical Settlement Notice or a prior Settlement Amendment Notice, as applicable (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such Settlement Amendment Notice is effective). A Settlement Amendment Notice shall specify each replacement Deliverable Obligation that the Issuer will Deliver (each a “**Replacement Deliverable Obligation**”) and shall also specify the Outstanding Principal Balance or Due and Payable Amount (determined on the same basis as in the definition of Asset Amount) of each Deliverable Obligation identified in the Physical Settlement Notice or a prior Settlement Amendment Notice, as applicable, that is being replaced or the equivalent Currency Amount of any such amount (with respect to each such Deliverable Obligation, the “**Replaced Deliverable Obligation Outstanding Amount**”). The Replacement Deliverable Obligation(s), taken together, shall have an aggregate Replaced Deliverable Obligation Outstanding Amount at least equal to the Outstanding Principal Balance(s) and/or Due and Payable Amount(s) (or the equivalent Currency Amount(s) of any such amount(s)) of the Deliverable Obligations being replaced. Each such Settlement Amendment Notice must be effective on or prior to the Settlement Date (determined without reference to any change resulting from such Settlement Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies contained in the Physical Settlement Notice or any Settlement Amendment Notice, as applicable, by notice to Noteholders (in accordance with Condition 15) prior to the relevant Delivery Date; it being understood that such notice of correction shall not constitute Settlement Amendment Notice.

If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” is specified as applicable hereon (or if Physical Settlement is applicable as the Fallback Settlement Method and “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” is specified as applicable hereon) and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.

If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon (or if Physical Settlement is applicable as the Fallback Settlement Method and “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon) and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

*If the Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 6(a)(v)(4), upon Delivery of the Deliverable Obligations and/or payment of the Partial Cash Settlement Amount, as the case may be, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The market value of such Deliverable Obligations and/or the Partial Cash Settlement Amount may be less than the nominal amount of a Note. Any shortfall shall be borne by the Noteholder and no liability shall attach to the Issuer.*

(5) **Repudiation/Moratorium Extension**

If “Repudiation/Moratorium” is specified as a Credit Event hereon, the provisions of this Condition 6(a)(v)(5) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) but, in the determination of the Calculation Agent, the

Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Observation End Date or, if Condition 6(a)(v)(8) applies, the Postponed Maturity Date (as defined in Condition 6(a)(v)(8)) and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation/Moratorium will, in the sole determination of the Calculation Agent, fall after the Scheduled Observation End Date, then the Calculation Agent shall notify the Noteholders in accordance with Condition 15 that a Potential Repudiation/Moratorium has occurred and:

- (i) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
  - (A) each nominal amount of Notes equal to the lowest Specified Denomination will be redeemed by the Issuer at the Final Redemption Amount on the second Business Day following the Repudiation/Moratorium Evaluation Date; and
  - (B) in the case of interest bearing Notes, the Issuer should be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the second Business Day following the Repudiation/Moratorium Evaluation Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (ii) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and Conditions to Settlement are satisfied, the provisions of Conditions 6(a)(v)(2), 6(a)(v)(3) or 6(a)(v)(4), as applicable, shall apply to the Notes.

(6) ***Grace Period Extension***

If “Grace Period Extension” is specified as applicable hereon, the provisions of this Condition 6(a)(v)(6) shall apply.

Where the Conditions to Settlement have not been satisfied on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) but, in the determination of the Calculation Agent, a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) (and such Grace Period(s) is/are continuing as at the Scheduled Observation End Date), then the Calculation Agent shall notify the Noteholders in accordance with Condition 15 that a Potential Failure to Pay has occurred and:

- (i) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
  - (A) each nominal amount of Notes equal to the lowest Specified Denomination will be redeemed by the Issuer at the Final Redemption Amount on the second Business Day following the Grace Period Extension Date; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the second Business Day following the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and



- (ii) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and the Conditions to Settlement are satisfied, the provisions of Conditions 6(a)(v)(2), 6(a)(v)(3) or 6(a)(v)(4), as applicable, shall apply to the Notes.

(7) ***Credit Derivatives Determinations Committee Extension***

If, in the determination of the Calculation Agent, a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) then the Calculation Agent shall notify the Noteholders in accordance with Condition 15 that the Scheduled Observation End Date has been postponed to a date (the “**DC Cut-off Date**”) being the earliest of: (i) 15 Business Days following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred; (ii) the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred, (iii) 15 Business Days following the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine whether a Credit Event has occurred and:

- (i) where a Credit Event has not occurred on or prior to the DC Cut-off Date:
  - (A) each nominal amount of Notes equal to the lowest Specified Denomination will be redeemed by the Issuer at the Final Redemption Amount on the second Business Day following the DC Cut-off Date; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the second Business Day following the DC Cut-off Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii) where a Credit Event has occurred on or prior to the DC Cut-off Date and Conditions to Settlement are satisfied, the provisions of Conditions 6(a)(v)(2), 6(a)(v)(3) or 6(a)(v)(4), as applicable, shall apply to the Notes.

(8) ***Maturity Date Extension***

Without prejudice to Condition 6(a)(v)(11), if:

- (x) on (A) the Scheduled Observation End Date or, (B) if applicable, the Repudiation/Moratorium Evaluation Date, or (C) if Grace Period Extension is specified as applicable hereon, the Grace Period Extension Date, Conditions to Settlement have not been satisfied but, in the determination of the Calculation Agent, a Credit Event may have occurred; or
- (y) on the Scheduled Observation End Date, in the determination of the Calculation Agent a Potential Repudiation/Moratorium may have occurred,

the Calculation Agent may, at its option, notify the Noteholders in accordance with Condition 15 that the Scheduled Observation End Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, has been postponed to a date (such date the “**Postponed Maturity Date**”) specified in such notice

falling 15 Business Days after the Scheduled Observation End Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, and:

where:

- (i) in the case of paragraph (x) above, Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date, or, in the case of paragraph (y) above, the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Maturity Date:
  - (A) subject as provided below, each nominal amount of Notes equal to the lowest Specified Denomination will be redeemed by the Issuer at the Final Redemption Amount on the second Business Day following the Postponed Maturity Date; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Observation End Date to (but excluding) the Scheduled Observation End Date but shall only be obliged to make such payments of interest on the second Business Day following the Postponed Maturity Date and no other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii) (A) in the case of paragraph (x) above, Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Conditions 6(a)(v)(2), 6(a)(v)(3) or 6(a)(v)(4), as applicable, shall apply to the Notes; or
- (B) in the case of paragraph (y) above, the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 6(a)(v)(5) shall apply to the Notes.

(9) ***Physical Delivery***

- (i) If any Notes are to be redeemed by delivery of the Asset Amount(s), in order to obtain delivery of such Asset Amount(s), the relevant Noteholder must deliver (i) if this Note is a Bearer Note, to any Paying Agent or (ii) if this is a Registered Note, to the Registrar or any Paying Agent, in each case with a copy to the Issuer, not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

An Asset Transfer Notice may only be delivered in writing or by authenticated SWIFT message.

The Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

- (1) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out therein;
- (2) include an undertaking to pay all Delivery Expenses;
- (3) specify an account to which any amounts payable pursuant to Condition 6(a)(v)(10) or any other cash amounts specified hereon as being payable are to be paid; and
- (4) authorise the production of such notice in any applicable administrative or legal proceedings.

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

Failure to complete and deliver an Asset Transfer Notice properly may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Conditions shall be made by the relevant Paying Agent or the Registrar, as the case may be, after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Delivery of the Asset Amount(s) in respect of each Note shall be made at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent acting in good faith shall in its sole discretion determine in good faith and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified hereon. If a Noteholder fails to give an Asset Transfer Notice as provided herein on or prior to the Cut-Off Date specified hereon, the Issuer will, subject as provided above, deliver the Deliverable Obligations constituting the Asset Amount in respect of the relevant Notes as soon as practicable after the receipt of the duly completed Asset Transfer Notice, Provided That if, in respect of a Note, a Noteholder fails to give an Asset Transfer Notice prior to the day falling 45 calendar days after the Cut-Off Date, the obligations of the Issuer in respect of such Notes shall be discharged and the Issuer shall not have any liability in respect thereof.

- (ii) All Delivery Expenses arising from the delivery of the Asset Amount in respect of any Notes shall be for the account of the relevant Noteholder and no delivery of any Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

After delivery of an Asset Amount in respect of a Note and for the Intervening Period, none of the Issuer, the Calculation Agent nor any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the securities or obligations included in such Asset Amount, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations included in such Asset Amount or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations included in such Asset Amount.

- (iii) In relation to each Deliverable Obligation constituting any Asset Amount, the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation on the Settlement Date, provided that if all or some of the Deliverable Obligations included in the Asset Amount in respect of a Note are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations and/or Hedge Disruption Obligations on or before (i) in the case of a Deliverable Obligation that has become an Undeliverable Obligation due to the non-receipt of any requisite consent with respect to its Delivery, the 15th Business Day or (ii) in the case of any other Deliverable Obligation, the 30th calendar day, following the Settlement Date (the “**Final Delivery Date**”),

Provided further that:

- (i) if all or a portion of such Undeliverable Obligations (but subject to paragraph (ii) below in the case of Assignable Loans or Consent Required Loans) or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date, the provisions of Condition 6(a)(v)(10)(i) shall apply; or

- (ii) if all or a portion of such Undeliverable Obligations consist of Assignable Loans or Consent Required Loans that, due to the non-receipt of any requisite consents, are not capable of being Delivered by the Final Delivery Date, the provisions of Condition 6(a)(v)(10)(ii) shall apply.

(10) ***Partial Cash Settlement***

- (i) If all or a portion of the Undeliverable Obligations and/or Hedge Disruption Obligations comprising the Asset Amount are not Delivered by the Final Delivery Date (other than in respect of Assignable Loans or Consent Required Loans that, due to the non-receipt of any requisite consents, are not capable of being Delivered on that day), the Issuer shall give notice (a “**Partial Cash Settlement Notice**”) to the Noteholders in accordance with Condition 15 and the Issuer shall pay, in respect of each Undeliverable Obligation and/or Hedge Disruption Obligations, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

In the Partial Cash Settlement Notice, the Issuer must give details of the reason for its inability to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligations.

- (ii) If:
  - (A) “Partial Cash Settlement of Consent Required Loans” is specified as applicable hereon and all or a portion of the Undeliverable Obligations comprising the Asset Amount consist of Consent Required Loans that, due to the non-receipt of any requisite consents, are not capable of being Delivered by the Final Delivery Date; or
  - (B) “Partial Cash Settlement of Assignable Loans” is specified as applicable hereon and all or a portion of the Undeliverable Obligations comprising the Asset Amount consist of Assignable Loans that, due to the non-receipt of any requisite consents, are not capable of being Delivered by the Final Delivery Date,

the Issuer shall give notice (a “**Partial Cash Settlement Notice**”) to the Noteholders in accordance with Condition 15 and the Issuer shall pay in respect of (I) (in the case of (A) above) such Consent Required Loans or (II) (in the case of (B) above) such Assignable Loans, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

For the avoidance of doubt, if neither “Partial Cash Settlement of Consent Required Loans” nor “Partial Cash Settlement of Assignable Loans” is specified as applicable hereon, and all of the Undeliverable Obligations comprise of Assignable Loan and/or Consent Required Loans, as the case may be, then the Issuer shall have no further obligation to Deliver any Asset Amount or pay any Partial Cash Settlement Amount in respect of the Notes.

Unless otherwise specified hereon, for the purposes of this Condition 6(a)(v)(10) the following terms are deemed to have the following meanings:

“**Indicative Quotation**” means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer’s reasonable assessment of the price of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates. Indicative Quotations shall be applicable only in the event that the provisions of Condition 6(a)(v)(10) are applicable;

**“Market Value”** means, with respect to an Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotations remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and only a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applicable hereon and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained then, subject to paragraph (ii) of the definition of “Quotation” below, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation are obtained; and (vii) if the Quotations are deemed to be zero, **the Market Value shall be zero**;

**“Partial Cash Settlement Amount”** is deemed to be the aggregate, in respect of each Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, the greater of (i) the Outstanding Principal Balance, Due and Payable Amount or Currency Amount, as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, multiplied by the Final Price or Auction Final Price, if applicable, with respect to such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, (x) less, if the Unwind Amount is a positive amount, or (y) plus, if the Unwind Amount is a negative amount, the absolute value of the Unwind Amount (if any) (but excluding any Unwind Amount already taken into account in calculating the relevant Asset Amount), and (ii) zero;

**“Partial Cash Settlement Date”** is deemed to be the date falling three Business Days after (i) the calculation of the Final Price or (ii) the Auction Final Price Determination Date, if applicable;

**“Quotation”** means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applicable hereon, each Indicative Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (i) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from at least five Quotation Dealers. If fewer than two such Full Quotations are available on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date), the Calculation Agent shall attempt to obtain Full Quotations from at least five Quotation Dealers, and, if fewer than two Full Quotations are available, a Weighted Average Quotation. If fewer than two such Full Quotations or a Weighted Average Quotation are available on any such Business Day and Indicative Quotations are specified as applicable hereon, the Calculation Agent shall attempt to obtain three Indicative Quotations from at least five Quotation Dealers.
- (ii) If the Calculation Agent is unable to obtain at least two Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applicable hereon, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, obtained from Quotation Dealers at the Valuation Time

on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

- (iii) The Calculation Agent shall determine, based on then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (iv) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price.

**“Quotation Amount”** is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be;

**“Quotation Method”** is deemed to be Bid;

**“Reference Obligation”** is deemed to be each Undeliverable Obligation or Hedge Disruption Obligations, as the case may be;

**“Valuation Method”** is deemed to be Highest unless fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case, “Valuation Method” is deemed to be Market; and

**“Valuation Time”** is deemed to be 11:00 a.m. in the principal trading market for the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

**“Weighted Average Quotation”** means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

#### (11) *Settlement Suspension*

- (i) Suspension

Without prejudice to Condition 6(a)(v)(8), if, following the determination of a Credit Event Determination Date in accordance with sub-paragraph (a) of the definition of “Credit Event Determination Date” as set out in Condition 6(a)(v)(15) but prior to the Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date” as set out in Condition 6(a)(v)(15) are satisfied in accordance with the Rules, the Calculation Agent acting in a commercially reasonable manner may at its option determine that the applicable timing requirements of this Condition 6(a)(v) and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and such other relevant provisions of this Condition 6(a)(v) as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a **“Suspension Period”**) until such

time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved (a) the matters described in sub-paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date” as set out in Condition 6(a)(v)(15) or (b) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (i) the matters described in sub-paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date” or (ii) not to determine such matters, the relevant timing requirements and provisions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

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

(ii) Interest

In the case of interest bearing Notes:

- (a) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (b) if an Interest Payment Date falls in a Suspension Period pursuant to Condition 6(a)(v)(11)(i) above, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Business Day and no later than the fifth Business Day following the end of the Suspension Period, all subject to Condition 5 and Conditions 6(a)(v)(5), 6(a)(v)(6) and 6(a)(v)(7).

(12) *Redemption following a Merger Event*

If this Condition 6(a)(v)(12) is specified as applicable hereon, in the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with Condition 15 and redeem all but not some only of the Notes at the Merger Event Redemption Amount on the Merger Event Redemption Date.

(13) *Credit Event Notice after Restructuring Credit Event*

If “Partial Redemption Following Restructuring” is specified as applicable hereon, then, notwithstanding anything to the contrary in the terms and conditions of the Notes, upon the occurrence of a Restructuring with respect to a Series for which either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon:

- (a) The Calculation Agent may deliver multiple Credit Event Notices with respect to such Restructuring, each such Credit Event Notice setting forth an amount (the “**Partial Redemption Amount**”) that may be less than the principal amount outstanding of each Note immediately prior to the delivery of such Credit Event Notice. In such circumstances this Condition 6(a)(v) and any other related provisions shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (i) the principal amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the principal amount outstanding of such Note as provided in Condition 5 (adjusted in such manner as the

Calculation Agent in its sole and absolute discretion determines to be appropriate) and (ii) the provisions of this Condition 6(a)(v) shall apply to such principal amount outstanding of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event, (iii) once a Credit Event Notice with respect to a Restructuring Credit Event has been delivered in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the Restructuring Credit Event and (iv) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable to Noteholders under the relevant Series, the Calculation Agent will (A) determine such adjustment(s) to this Condition 6(a)(v) as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Condition 6(a)(v)(13) and (B) the effective date of such adjustment(s).

- (c) If the provisions of this Condition 6(a)(v)(13) apply in respect of the Notes, on redemption of part of each such Note, the relevant Note or, if the Notes are represented by a Global Note or Global Certificate, such Global Note or Global Certificate, shall be endorsed to reflect such part redemption.

(14) *Provisions relating to Multiple Holder Obligation*

If “Multiple Holder Obligation” is specified as applicable hereon, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in sub-paragraphs (a) to (e) of the definition of “Restructuring” as set out in Condition 6(a)(v)(15) shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation, where “**Multiple Holder Obligation**” means an Obligation that (A) is a Bond or (B)(i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event.

(15) *Definitions*

For the purpose of this Condition 6(a)(v),

“**2.5-year Limitation Date**” has the meaning given to that term in the definition of “Limitation Date”.

“**5-year Limitation Date**” has the meaning given to that term in the definition of “Limitation Date”.

“**20-year Limitation Date**” has the meaning given to that term in the definition of “Limitation Date”.

“**2005 Matrix Supplement**” means the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions as published by ISDA on 7 March 2005.

“**Accreted Amount**” means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (a)(ii) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest



payments only if “Include Accrued Interest” is specified as applicable hereon in respect of the Asset Amount. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation’s yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

“**Accreting Obligation**” means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (a) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (b) periodic cash interest is also payable.

“**Affiliate**” means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person.

“**Auction**” has the meaning set forth in the Transaction Auction Settlement Terms.

“**Auction Cancellation Date**” has the meaning set forth in the Transaction Auction Settlement Terms.

“**Auction Covered Transaction**” has the meaning set forth in the Transaction Auction Settlement Terms.

“**Auction Final Price**” has the meaning set forth in the Transaction Auction Settlement Terms.

“**Auction Final Price Determination Date**” has the meaning set forth in the Transaction Auction Settlement Terms.

“**Auction Settlement Date**” means the date that is the number of Business Days specified in the Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the Auction Final Price Determination Date.

“**Auction Settlement Notice**” has the meaning given to that term in Condition 6(a)(v)(2).

“**Asset Amount**” means, in respect of each nominal amount of Notes equal to the lowest Specified Denomination, Deliverable Obligations, as selected by the Calculation Agent in its sole and absolute discretion, with:

- (i) in the case of Deliverable Obligations that are Borrowed Money obligations, an Outstanding Principal Balance (including accrued but unpaid interest (as determined by the Calculation Agent) if “Include Accrued Interest” is specified as applicable hereon, but excluding accrued but unpaid interest if “Exclude Accrued Interest” is specified as applicable hereon, and if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified as applicable hereon, excluding accrued but unpaid interest); or
- (ii) in the case of Deliverable Obligations that are not Borrowed Money obligations, a Due and Payable Amount,

(or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date at least equal to the lowest Specified Denomination as of the Settlement Date (x) less, if the Unwind Amount is a positive amount, or (y) plus, if the Unwind Amount is a negative amount, Deliverable Obligations with a market value determined by the Calculation Agent in its sole and absolute discretion on the Business Day selected by the Calculation Agent acting in a commercially reasonable manner falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to the absolute value of the Unwind Amount, provided that, if the Unwind Amount is a negative amount, the Issuer may, in its sole discretion, pay to the Noteholders a cash amount equal to the absolute value of the Unwind Amount instead of including in the Asset Amount the Deliverable Obligations as described in (y) above.

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the Outstanding Principal Balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the Outstanding Principal Balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

“**Asset Transfer Notice**” means a duly completed asset transfer notice substantially in the form set out in Schedule 10 to the Agency Agreement.

“**Bankruptcy**” means a Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof or before the Maturity Date, whichever is earlier;
- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter or before the Maturity Date, whichever is earlier; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in paragraphs (a) to (g) (inclusive).

**“Best Available Information”** means:

- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of “Successor”, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (ii) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of “Successor”.

Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

**“Calculation Agent City Business Day”** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City specified hereon.

**“Calculation Agent Settlement Notice”** has the meaning given to that term in the definition of “Conditions to Settlement” set out in this Condition 6(a)(v)(15).

**“Conditionally Transferable Obligation”** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition.

For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of “Conditionally Transferable Obligation”, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer or the Calculation Agent.

**“Conditions to Settlement”** means the requirements set out in each of paragraphs (a), (b) and (c), as applicable, below:

- (a) all of the Conditions to Settlement shall be deemed to be satisfied by the occurrence of a Credit Event Determination Date, to the extent that such Credit Event Determination Date is not subsequently reversed prior to the Auction Final Price Determination Date, a Valuation Date, the Settlement Date (or, if earlier, a Delivery Date), the Credit Event Redemption Date or the Maturity Date, as applicable, unless Physical Settlement is

specified as the applicable Settlement Method hereon (or is applicable pursuant to the Fallback Settlement Method) in which case all of the Conditions to Settlement shall be deemed to be satisfied by delivery of a Calculation Agent Physical Settlement Notice as described in paragraph (c) below on or following the occurrence of a Credit Event Determination Date;

- (b) if Notice of Publicly Available Information is specified as applicable hereon, the Notice of Publicly Available Information Condition to Settlement is satisfied if either (i) the Calculation Agent delivers to the Issuer a Notice of Publicly Available Information that is effective during one of the periods specified in paragraph (a) of the definition of “Credit Event Determination Date” or (ii) ISDA publicly announces on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for purposes of the relevant Notes has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (c) the Calculation Agent delivers to the Issuer a notice of physical settlement (a “**Calculation Agent Settlement Notice**”), subject where applicable to Condition 6(a)(v)(11), on or prior to:
  - (i) subject to paragraph (ii) below, the later of:
    - (A) the thirty-second calendar day (subject to adjustment in accordance with the applicable Business Day Convention) after the Credit Event Determination Date; and
    - (B) the twelfth calendar day after either (I) the date of the relevant DC Credit Event Announcement, if any, or (II) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date”; or
  - (ii) if Physical Settlement is applicable pursuant to the Fallback Settlement Method and:
    - (A) the relevant Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, such Restructuring has occurred where neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon), the thirty-second calendar day after the Auction Cancellation Date or the No Auction Announcement Date, as applicable; or
    - (B) the relevant Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon, either:
      - I. the thirty-second calendar day after:
        - (1) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of “No Auction Announcement Date”, if any; or
        - (2) a No Auction Announcement Date occurring pursuant to paragraph (c) of the definition of “No Auction Announcement Date”, if any, in circumstances where no Parallel Auction will be held; or
        - (3) the Auction Cancellation Date, if any,

as applicable; or

- II. the second Relevant City Business Day immediately following the later of the Parallel Auction Final Price Determination Date, if any (or, if more than one should occur, the last Parallel Auction Final Price Determination Date), and the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:
  - (1) a No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of “No Auction Announcement Date” and the Issuer has not exercised the Movement Option; or
  - (2) a No Auction Announcement Date occurs pursuant to paragraph (c) of the definition of “No Auction Announcement Date” in circumstances where one or more Parallel Auctions will be held,

provided that in the case of paragraphs (c)(i)(B) and (c)(ii), the relevant Credit Event Resolution Request Date occurred on or prior to the date described in paragraph (c)(i)(A).

For purposes of determining whether the conditions of this paragraph (c) have been satisfied, the effective date of delivery of the Calculation Agent Settlement Notice (whether or not subsequently changed) shall be used.

“**Convertible Obligation**” means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

“**Credit Derivatives Auction Settlement Terms**” means any Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules.

“**Credit Derivatives Determinations Committees**” and each a “**Credit Derivatives Determinations Committee**” means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof (the “**Rules**”).

“**Credit Event**” means the occurrence of any one or more of the Credit Events specified hereon which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, or any additional Credit Event specified hereon, as determined by the Calculation Agent.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

- (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation however described;

- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or
- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**“Credit Event Backstop Date”** means (a) for purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in paragraph (b) of the definition of “Repudiation/Moratorium”) for purposes of the relevant Notes, as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date or (b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable hereon, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during the Notice Delivery Period and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraph (a) and (b) of the definition of “Credit Event Resolution Request Date” are satisfied in accordance with the Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable hereon, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**“Credit Event Determination Date”** means, in respect of any Credit Event:

- (a) subject to paragraph (b) below, if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred, the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable hereon, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during either:
  - (A) the Notice Delivery Period; or
  - (B) the period (I) from, and including, the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of “Credit Event Resolution Request Date” (II) to, and including, the date that is fourteen calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)); or
- (b) notwithstanding paragraph (a) above, if a DC Credit Event Announcement has occurred, either:
  - (A) the Credit Event Resolution Request Date, if either:
    - I. each of the following apply:
      - (1) Credit Event Determination Date Version A is specified hereon;
      - (2) the relevant Credit Event is not a Restructuring; and
      - (3) either (y) if Auction Settlement is specified as the Settlement Method hereon, the Trade Date occurs on or prior to the Auction Final Price

Determination Date, the Auction Cancellation Date, or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable; or (z) if Auction Settlement is not specified as the Settlement Method hereon, the Trade Date occurs on or prior to the relevant DC Credit Event Announcement; or

II. each of the following apply:

- (1) either (y) Credit Event Determination Date Version B is specified hereon and Auction Settlement is specified as the applicable Settlement Method hereon or (z) the relevant Credit Event is a Restructuring; and
- (2) the Credit Event Notice is delivered by the Calculation Agent to the Issuer and is effective on or prior to the relevant Exercise Cut-off Date; or

(B) the first date on which the Credit Event Notice is delivered by the Calculation Agent to the Issuer and is effective during (I) the Notice Delivery Period or (II) the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant DC Credit Event Announcement to, and including, the date that is fourteen calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:

I. each of the following apply:

- (1) Credit Event Determination Date Version A is specified hereon;
- (2) the relevant Credit Event is not a Restructuring;
- (3) Auction Settlement is not specified as the Settlement Method hereon; and
- (4) the Trade Date occurs following the relevant Method DC Credit Event Announcement; or

II. each of the following apply:

- (1) Credit Event Determination Date Version B is specified hereon; and
- (2) either (y) Auction Settlement is not specified as the Settlement Method hereon; or (z) if Auction Settlement is specified as the Settlement Method hereon, the Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective on a date that is later than the relevant Exercise Cut-off Date,

provided that, in the case of paragraph (b) above, (1) it shall be subject to any adjustment in accordance with Condition 6(a)(v)(13), (2) no Settlement Date, if applicable, Cash Event Redemption Date, if applicable, Auction Cash Settlement Date, if applicable, or Maturity Date has occurred on or prior to the date on which the DC Credit Event Announcement occurs, (3) if any Valuation Date or Delivery Date, as applicable, has occurred as of the date on which the DC Credit Event Announcement occurs, a Credit Event Determination Date shall be deemed to have occurred only with respect to the portion of the Aggregate Nominal Amount of the Notes outstanding, if any, with respect to which no Valuation Date or Delivery Date, as applicable, has occurred, and (4) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the Calculation Agent to the Issuer unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date; and

provided that, if, pursuant to this definition of Credit Event Determination Date, different Credit Event Determination Dates have been determined with respect to different portions of the Aggregate Nominal Amount of the Notes outstanding, the Calculation Agent shall adjust such of terms and conditions of the Notes as it shall determine to be appropriate to reflect that different Credit Event Determination Dates will be applicable to each such portion and shall determine the effective date of such adjustment; and

provided further that no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, the Settlement Date (or, if earlier, a Delivery Date), the Credit Event Redemption Date or the Maturity Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant Reference Entity or Obligation thereof.

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to a preceding Interest Payment Date, the Calculation Agent will determine (1) such adjustment(s) to the terms and conditions of the Notes (including any adjustment to and/or deductions from amounts payable and/or assets deliverable by the Issuer) as may be required to achieve as far as practicable the same economic position of Noteholders as would have prevailed had a Credit Event Determination Date not occurred on such deemed date of occurrence and (2) the effective date of such adjustment(s).

“**Credit Event Notice**” means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred in respect of a Reference Entity or, if “First-to-Default” is specified hereon, any Reference Entity in the Reference Portfolio, in either case on or after the Trade Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) or, if Credit Event Backstop Date is specified as applicable hereon, the Credit Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. Upon receipt of the Credit Event Notice by the Issuer, the Issuer shall give notice to Noteholders as soon as practicable in accordance with Condition 15.

“**Credit Event Redemption Amount**” means the amount specified as such hereon or if no such amount is specified hereon, an amount calculated by the Calculation Agent equal to:

$$(A \times B) - C$$

where:

“A” is the lowest Specified Denomination;

“B” is the Final Price or Auction Final Price, as applicable; and

“C” is Unwind Amount,



provided that in no event shall the Credit Event Redemption Amount be less than zero.

**“Credit Event Redemption Date”** means, subject to Condition 6(a)(v)(11), the day falling the number of Business Days specified hereon after (i) the determination of the Final Price or (ii) the Auction Settlement Date, as applicable. For the avoidance of doubt, a Credit Event Redemption Date may fall on a day that is later than the Maturity Date.

**“Credit Event Resolution Request Date”** means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Credit Event for purposes of the Notes has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the Rules, of Publicly Available Information with respect to the DC Resolutions referred to in paragraphs (a) and (b) above.

**“Currency Amount”** means, with respect to (a) a Deliverable Obligation specified in a Physical Settlement Notice that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a Settlement Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each Settlement Amendment Notice with respect to that portion of the relevant Notes into the currency of denomination of the relevant Replacement Deliverable Obligation.

**“Currency Rate”** means, with respect to (a) a Deliverable Obligation specified in the Physical Settlement Notice, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Settlement Amendment Notice, the Revised Currency Rate.

**“Currency Rate Source”** means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.

**“DC Credit Event Announcement”** means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved that (a) an event that constitutes a Credit Event has occurred with respect to such Reference Entity (or an Obligation thereof) and (b) such event occurred on or after the Trade Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) or, if Credit Event Backstop Date is specified as applicable hereon, the Credit Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan

Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). A DC Credit Event Announcement will be deemed not to have occurred unless (i) the Credit Event Resolution Request Date with respect to such Credit Event occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and (ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

“**DC Cut-off Date**” has the meaning given to that term in Condition 6(a)(v)(7).

“**DC No Credit Event Announcement**” means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, that the event that is the subject of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a Credit Event with respect to such Reference Entity (or an Obligation thereof).

“**DC Resolution**” has the meaning set out in the Rules.

“**Default Requirement**” means the amount specified as such hereon or its equivalent in the relevant Obligation Currency or, if a Default Requirement is not specified hereon, U.S.\$10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Credit Event.

“**Defaulted Reference Entity**” means the first Reference Entity in the Reference Portfolio in respect of which a Credit Event Notice has been given.

“**Deliver**” means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Asset Amount to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in paragraphs (a) to (d) in the definition of “Credit Event” above) or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor); provided that if all or a portion of the Asset Amount consists of Direct Loan Participations, “**Deliver**” means to create (or procure the creation) of a participation in favour of the relevant Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, “**Deliver**” means to Deliver both the Qualifying Guarantee and the Underlying Obligation. “**Delivery**” and “**Delivered**” will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time.

“**Deliverable Obligation**” means, subject as provided in Condition 6(a)(v)(4):

- (a) any obligation of a Reference Entity or, if “First-to-Default” is specified as applicable hereon, the Defaulted Reference Entity, (in either case either directly or as provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applicable hereon, as provider of any Qualifying Guarantee) determined pursuant to the method described in sub-paragraph (d)(A) below (but excluding each Excluded Deliverable Obligation (if any) specified hereon) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of “Credit Event” above)) or right of set-off by or of a Reference Entity or the Defaulted Reference Entity, as the case may be, or any applicable Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, as the case may be, is capable, at the Delivery Date, of

immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

- (b) subject to the second paragraph of the definition of “Not Contingent” in subparagraph (d)(A) below, each Reference Obligation, unless specified hereon as an Excluded Deliverable Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of “Credit Event” above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, as the case may be, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation, as the case may be, shall not be considered a procedural requirement; and
- (d) any Additional Deliverable Obligation of a Reference Entity or the Defaulted Reference Entity, as the case may be, specified as such.

(A) **Method for Determining Deliverable Obligations.** With respect to any Series, the term “Deliverable Obligation” may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified hereon, and, subject to (B) below, having each of the Deliverable Obligation Characteristics, if any, specified hereon, in each case as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (1) **“Deliverable Obligation Category”** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of “Obligation” below, except that, for the purpose of determining Deliverable Obligations, the definition of “Reference Obligations Only” shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).
- (2) **“Deliverable Obligation Characteristics”** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of “Obligation” below, except that, for the purpose of determining Deliverable Obligation Characteristics, the definition of “Listed” shall be amended to state that, if specified as applicable to a Deliverable Obligation Category, the Listed Deliverable Obligation Characteristic shall be applicable only in respect of obligations within that Deliverable Obligation Category that are Bonds), Not Contingent, Assignable Loan, Consent Required Loan, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer where:

**“Not Contingent”** means any obligation having as of the Delivery Date and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that

pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall constitute Deliverable Obligations that are Not Contingent if such Deliverable Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in clauses (A) and (B) of the paragraph above have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date;

**“Assignable Loan”** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organisation) that are not then a lender or a member of the relevant lending syndicate without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

**“Consent Required Loan”** means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent;

**“Direct Loan Participation”** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer (to the extent that the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);

**“Transferable”** means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction (provided that none of the following shall be considered contractual, statutory or regulatory restrictions):

- (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;

**“Maximum Maturity”** means an obligation that has a remaining maturity from the Settlement Date of not greater than the period specified hereon;

“**Accelerated or Matured**” means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and

“**Not Bearer**” means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system.

(B) **Interpretation of Provisions.** Unless expressly stated hereon that this paragraph (B) is not applicable to a Series:

- (1) if (i) either of the Deliverable Obligation Characteristics “Listed” or “Not Bearer” is specified hereon, these Conditions shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (ii) the Deliverable Obligation Characteristic “Transferable” is specified hereon, these Conditions shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category) or (iii) any of the Deliverable Obligation Characteristics “Assignable Loan”, “Consent Required Loan” or “Direct Loan Participation” is specified hereon, these Conditions shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;
- (2) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics; and
- (3) in the event that a Deliverable Obligation is a Qualifying Guarantee, the following will apply:
  - (i) For purposes of the application of the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.
  - (ii) For purposes of the application of the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Deliverable Obligation Characteristics, if any, specified hereon from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified hereon, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B)

the laws of England and the laws of the State of New York shall not be a Domestic Law.

- (iii) For purposes of the application of the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Deliverable Obligation Characteristics, if any, specified hereon from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
- (iv) For purposes of the application of the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (v) The terms “Outstanding Principal Balance” and “Due and Payable Amount” (as they are used in these Conditions, including without limitation, the definitions of “Partial Cash Settlement Amount” and “Quotation Amount” in Condition 6(a)(v)(10)), when used in connection with Qualifying Guarantees are to be interpreted to be the then “Outstanding Principal Balance” or “Due and Payable Amount”, as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

“**Deliverable Obligation Provisions**” has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

“**Deliverable Obligation Terms**” has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

“**Delivery Date**” means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

“**Delivery Expenses**” means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the Delivery of the Asset Amount.

“**Domestic Currency**” means the currency specified as such hereon and any successor currency. If no currency is specified hereon, the Domestic Currency shall be the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any of the aforementioned currencies).

“**Downstream Affiliate**” means an entity whose outstanding Voting Shares were, at the date of the issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity.

“**Due and Payable Amount**” means the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

“**Eligible Transferee**” means each of the following:

- (a) any

- (i) bank or other financial institution;
- (ii) insurance or reinsurance company;
- (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in paragraph (c)(i) below); and
- (iv) registered or licensed broker or dealer (other than a natural person or proprietorship),

provided, however, in each case, that such entity has total assets of at least U.S.\$500 million;

- (b) an Affiliate of an entity specified in paragraph (a);
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.\$100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$100 million; or
  - (ii) that has total assets of at least U.S.\$500 million; or
  - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in sub-paragraphs (a), (b), (c)(ii) or (d); and
- (d) a Sovereign, Sovereign Agency or Supranational Organisation.

All references in this definition to U.S.\$ include equivalent amounts in other currencies.

**“Enabling Obligation”** means an outstanding Deliverable Obligation that (i) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (ii) has a final maturity date occurring on or prior to the Scheduled Observation End Date and following the Limitation Date immediately preceding the Scheduled Observation End Date (or, in circumstances where the Scheduled Observation End Date occurs prior to the 2.5- year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any).

**“Equity Securities”** means:

- (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

**“Exchangeable Obligation”** means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

**“Excluded Deliverable Obligation”** means any obligation of a Reference Entity specified as such or of a type described hereon.

**“Excluded Obligation”** means any obligation of a Reference Entity specified as such hereon.

**“Exercise Cut-off Date”** means, with respect to a Credit Event:

(a) if such Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, such Restructuring has occurred with respect to the relevant Notes for which neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon), either:

(i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;

(ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or

(iii) the date that is 21 calendar days following the No Auction Announcement Date, if any,

as applicable; or

(b) if such Credit Event is a Restructuring for purposes of the relevant Notes for which either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon and:

(i) the relevant Credit Derivatives Determinations Committee has Resolved that Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is five Relevant City Business Days following the date on which ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules; or

(ii) a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date, the date that is 21 calendar days following such No Auction Announcement Date.

**“Extension Date”** means the latest of (a) the Scheduled Observation End Date; (b) the Grace Period Extension Date if (i) Grace Period Extension is specified as applicable hereon, (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Failure to Pay that occurs after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and (c) the Repudiation/Moratorium Evaluation Date if (i) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in paragraph (b) of the definition of Repudiation/Moratorium occurs after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/ Moratorium occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the



relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and (iii) the Repudiation/Moratorium Extension Condition is satisfied.

**“Failure to Pay”** means after the expiration of any applicable (or deemed) Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

**“Fallback Settlement Method”** means, with respect to any Notes for which Auction Settlement is specified as the applicable Settlement Method hereon, the fallback settlement method specified hereon.

**“Final Delivery Date”** is as defined in Condition 6(a)(v)(9). **“Final List”** has the meaning set out in the Rules.

**“Final Price”** means the price of the Reference Obligation (and, if “First-to-Default” is specified as applicable hereon, the Reference Obligation of the Defaulted Reference Entity), expressed as a percentage, determined in accordance with the Valuation Method specified hereon.

**“Full Quotation”** means, in accordance with the Quotation Method, each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance equal to the Quotation Amount.

**“Fully Transferable Obligation”** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition. For purposes of determining whether a Deliverable Obligation satisfies the requirements of this definition, such determination shall be made as of the Delivery Date for the relevant Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

**“Governmental Authority”** means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

**“Grace Period”** means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if Grace Period Extension is specified as applicable hereon, a Potential Failure to Pay has occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan

Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such hereon or, if no period is specified hereon, 30 calendar days; and

- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applicable hereon, such deemed Grace Period shall expire no later than the Scheduled Observation End Date.

**“Grace Period Business Day”** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and, if a place or places are not so specified, in the jurisdiction of the Obligation Currency.

**“Grace Period Extension Date”** means, if:

- (a) Grace Period Extension is specified as applicable hereon; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)),

the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay.

**“Hedge Disruption Event”** means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates and/or its agents has not received the relevant Deliverable Obligations under the terms of any transaction and/or trading position entered into by the Issuer and/or such Affiliate and/or its agents to hedge directly or indirectly and whether in whole or in part the Issuer’s obligations or position in respect of the Notes.

**“Hedge Disruption Obligation”** means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

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

**“ISDA”** means the International Swaps and Derivatives Association, Inc.

**“Latest Maturity Restructuring Bond or Loan”** has the meaning given to that term in the definition of Restructuring Maturity Limitation Date.

**“Limitation Date”** means the first of March 20, June 20, September 20 or December 20 in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the **“2.5-year Limitation Date”**), 5 years (the **“5-year Limitation Date”**), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the **“20-year Limitation Date”**), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention unless it is specified hereon that Limitation Dates will be adjusted in accordance with a specified Business Day Convention.

**“Market Value”** means, with respect to a Reference Obligation, on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if only a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject to where the Quotation is deemed to be zero, an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation is obtained; or
- (f) if the Quotations are deemed to be zero, the Market Value shall be zero.

**“Merger Event”** means that at any time during the period from (and including) the Trade Date to (but excluding) the Scheduled Observation End Date the Issuer, or a Reference Entity (any such entity, the **“Mergor”**) consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to (i) where the Mergor is the Issuer, a Reference Entity or (ii) where the Mergor is a Reference Entity, the Issuer, or the Issuer and a Reference Entity become Affiliates.

**“Minimum Quotation Amount”** means the amount specified as such hereon (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) U.S.\$1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

**“Modified Eligible Transferee”** means any bank, financial institution or other entity which is regularly engaged in an established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

**“Modified Restructuring Maturity Limitation Date”** means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Observation End Date, provided that, in circumstances where the Scheduled Observation End Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Where **“Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable”** is specified as applicable hereon and the Scheduled Observation End Date is later than the 2.5-year Limitation Date and prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Observation End Date is either (i) on or prior to the 2.5-year Limitation Date or (ii) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only. Subject to the foregoing, in the event that the Scheduled Observation End Date is later than (A) the

2.5 year Limitation Date and no Enabling Obligation exists or (B) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Observation End Date.

**“Movement Option”** means, where either **“Restructuring Maturity Limitation and Fully Transferable Obligation Applicable”** or **“Modified Restructuring Maturity Limitation and**

Conditionally Transferable Obligation Applicable” is specified as applicable hereon, and where a No Auction Announcement Date has occurred pursuant to paragraph (b) of the definition of No Auction Announcement Date, the option of the Issuer, to apply to the Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that could be specified in any Calculation Agent Physical Settlement Notice (provided that, if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the Notes will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, such event will be notified to Noteholders in accordance with Condition 15.

**“Movement Option Cut-off Date”** means the date that is six Relevant City Business Days following the Exercise Cut-off Date.

**“Next Currency Fixing Time”** means 4:00 p.m. (London time) on such London Business Day as the Calculation Agent shall select falling no more than 5 London Business Days immediately preceding the date on which the Settlement Notice or relevant Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is effective.

**“No Auction Announcement Date”** means, with respect to a Credit Event, the date on which ISDA first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of a Restructuring where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon only, no Transaction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary.

**“Notice Delivery Period”** means the period from and including the Trade Date to and including the date that is fourteen calendar days after the Extension Date.

**“Notice of Publicly Available Information”** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both paragraphs (i) and (ii) of the definition of Repudiation/ Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applicable hereon and a Credit Event Notice or Repudiation/Moratorium Extension Notice cites Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Condition 15.

**“Notice to Exercise Movement Option”** means, where (a) either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable hereon and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date.

**“Obligation”** means:

- (a) any obligation of a Reference Entity (either directly as a provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applicable hereon, as provider of any Qualifying Guarantee) determined pursuant to the method described in subparagraph (c)(A) below (but excluding each Excluded Obligation (if any) specified hereon);
- (b) each Reference Obligation specified hereon, unless specified as an Excluded Obligation; and
- (c) any Additional Obligation of a Reference Entity specified as such hereon.

(A) **Method for Determining Obligations.** With respect to any Series, the term “Obligation” may be defined as each obligation of each Reference Entity described by the Obligation Category specified hereon, and having each of the Obligation Characteristics (if any) specified hereon, in each case, as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (1) **“Obligation Category”** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified hereon, where:
  - (a) **“Payment”** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
  - (b) **“Borrowed Money”** means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
  - (c) **“Reference Obligations Only”** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
  - (d) **“Bond”** means any obligation of a type included in the “Borrowed Money” Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money obligation;
  - (e) **“Loan”** means any obligation of a type included in the “Borrowed Money” Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money obligation; and
  - (f) **“Bond or Loan”** means any obligation that is either a Bond or a Loan.

- (2) “**Obligation Characteristics**” means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified hereon, where:
- (a) (i) “**Not Subordinated**” means an obligation that is not Subordinated to (1) the most senior Reference Obligation in priority of payment or, (2) if no Reference Obligation is specified hereon, any unsubordinated Borrowed Money obligation of the Reference Entity; provided that, if any of the events set forth under paragraph (a) of the definition of Substitute Reference Obligation has occurred with respect to all of the Reference Obligations or if the final paragraph of the definition of Successor is applicable with respect to the Reference Obligation (each, in each case, a “**Prior Reference Obligation**”) and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the “Not Subordinated” Obligation Characteristic or Deliverable Obligation Characteristic, as applicable, “Not Subordinated” shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the “Not Subordinated” Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;
- (ii) “**Subordination**” means, with respect to an obligation (the “**Subordinated Obligation**”) and another obligation of the Reference Entity to which such obligation is being compared (the “**Senior Obligation**”), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. “**Subordinated**” will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;
- (b) “**Specified Currency**” means an obligation that is payable in the currency or currencies specified as such hereon (or, if Specified Currency is specified hereon and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro (and any successor currency to any of the aforementioned currencies), which currencies shall be referred to collectively herein as the “**Standard Specified Currencies**”);

- (c) “**Not Sovereign Lender**” means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as “Paris Club debt”;
- (d) “**Not Domestic Currency**” means any obligation that is payable in any currency other than the Domestic Currency;
- (e) “**Not Domestic Law**” means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- (f) “**Listed**” means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (g) “**Not Domestic Issuance**” means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

(B) *Interpretation of Provisions.*

- (1) if the Obligation Characteristic “Listed” is specified hereon, these Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category; and
- (2) in the event that an Obligation is a Qualifying Guarantee, the following will apply:
  - (i) For purposes of the application of the Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.
  - (ii) For purposes of the application of the Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics, if any, specified hereon from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified hereon, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
  - (iii) For purposes of the application of the Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics, if any, specified hereon from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

- (iv) For purposes of the application of the Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (v) The terms “Outstanding Principal Balance” and “Due and Payable Amount” (as they are used in the Terms and Conditions, including without limitation, the definitions of “Partial Cash Settlement Amount” and “Quotation Amount” in Condition 6(a)(v)(10)), when used in connection with Qualifying Guarantees are to be interpreted to be the then “Outstanding Principal Balance” or “Due and Payable Amount”, as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

“**Obligation Acceleration**” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

“**Obligation Currency**” means the currency or currencies in which the Obligation is denominated.

“**Obligation Default**” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

“**Outstanding Principal Balance**” means, in relation to a Reference Obligation or a Deliverable Obligation:

- (a) if that Reference Obligation or Deliverable Obligation, as the case may be, is an Accreting Obligation, the Accreted Amount thereof;
- (b) if that Reference Obligation or Deliverable Obligation, as the case may be, is an Exchangeable Obligation but not an Accreting Obligation, the outstanding principal amount of such obligation excluding any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable; and
- (c) in relation to any other Reference Obligation or Deliverable Obligation, as the case may be, the outstanding principal amount of such Reference Obligation.

“**Parallel Auction**” means “Auction” as defined in the relevant Parallel Auction Settlement Terms.

“**Parallel Auction Cancellation Date**” means “Auction Cancellation Date” as defined in the relevant Parallel Auction Settlement Terms.

“**Parallel Auction Final Price Determination Date**” means “Auction Final Price Determination Date” as defined in the relevant Parallel Auction Settlement Terms.

“**Parallel Auction Settlement Date**” means “Auction Settlement Date” as defined in the relevant Parallel Auction Settlement Terms.

“**Parallel Auction Settlement Terms**” means, following the occurrence of a Restructuring where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation



Applicable” is specified as applicable hereon, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which (i) the Deliverable Obligation Terms are the same as the Reference Transaction and (ii) the Reference Transaction would not be an Auction Covered Transaction, provided that, if no such Credit Derivatives Auction Settlement Terms are published, the Calculation Agent may select, in its sole and absolute discretion, the applicable Credit Derivatives Auction Settlement Terms.

“**Payment Requirement**” means the amount specified as such hereon or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified hereon, U.S.\$1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

“**Permissible Deliverable Obligations**” has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

“**Permitted Currency**” means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership); or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody’s Japan K.K. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

“**Physical Settlement Notice**” has the meaning given to that term in Condition 6(a)(v)(4).

“**Physical Settlement Period**” means, subject to Condition 6(a)(v)(11) the number of Business Days specified as such hereon or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation specified in the Settlement Notice, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

“**Potential Credit Event**” means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/ Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or if a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. A Credit Derivatives Determinations Committee and the Calculation Agent may each determine whether a Potential Failure to Pay or a Potential Repudiation/ Moratorium has occurred.

“**Potential Failure to Pay**” means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligation, in accordance with the terms of such Obligations at the time of such failure.

“**Potential Repudiation/Moratorium**” means the occurrence of an event described in paragraph (i) of the definition of Repudiation/Moratorium.

“**Publicly Available Information**” means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium, as applicable, described in a

Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:

- (i) has been published in or not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if either the Calculation Agent or the Issuer or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation;
  - (ii) is information received from or published by (A) a Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or (B) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
  - (iii) is information contained in any petition or filing instituting a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or petition is presented for winding-up or liquidation against or by a Reference Entity; or
  - (iv) is information contained in any order, decree or notice, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.
- (b) In the event that the Calculation Agent is (x) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for the Obligations with respect to which a Credit Event has occurred and (ii) a holder of such Obligation, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent which shall certify the occurrence of a Credit Event with respect to such Obligation.
- (c) In relation to any information of the type described in paragraphs (a) (ii), (a) (iii) and (a) (iv) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.
- (d) Publicly Available Information need not state that such occurrence:
- (i) has met the Payment Requirement or Default Requirement;
  - (ii) is the result of exceeding any applicable Grace Period;
  - (iii) has met the subjective criteria specified in certain Credit Events; or
  - (iv) in relation to the determination of any Downstream Affiliate, the percentage of Voting Shares owned, directly or indirectly by the Reference Entity.

**“Public Source”** means each source of Publicly Available Information specified as such hereon or if a source is not specified hereon, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the

main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources.

**“Qualifying Affiliate Guarantee”** means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

**“Qualifying Guarantee”** means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **“Underlying Obligation”**) for which another party is the obligor (the **“Underlying Obligor”**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

**“Qualifying Participation Seller”** means any participation seller that meets the requirements specified hereon. If no such requirements are specified, there shall be no Qualifying Participation Seller.

**“Quotation”** means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from at least five Quotation Dealers. If at least two such Full Quotations are not available on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from at least five Quotation Dealers and, if at least two Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain at least two Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date, the Quotations shall be deemed to be zero.
- (b)
  - (i) If **“Include Accrued Interest”** is specified hereon in respect of Quotations, such Quotations shall include accrued but unpaid interest;
  - (ii) if **“Exclude Accrued Interest”** is specified hereon in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
  - (iii) if neither **“Include Accrued Interest”** nor **“Exclude Accrued Interest”** is specified hereon in respect of Quotations, the Calculation Agent shall determine based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.

**“Quotation Amount”** means the amount specified as such hereon (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified hereon, the lowest Specified Denomination (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

**“Quotation Dealer”** means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained, including each Quotation Dealer specified hereon. If no Quotation Dealers are specified hereon, the Calculation Agent shall select the Quotation Dealers. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained,

the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

“**Quotation Method**” means the applicable Quotation Method specified hereon by reference to one of the following terms:

- (a) “**Bid**” means that only the bid quotations shall be requested from Quotation Dealers;
- (b) “**Offer**” means that only the offer quotations shall be requested from Quotation Dealers; or
- (c) “**Mid-market**” means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer’s quotation.

If a Quotation Method is not specified hereon, Bid shall apply.

“**Reference Entity**” means each entity specified as such hereon. Any Successor to a Reference Entity either (a) identified pursuant to the definition of “Successor” on or following the Trade Date or (b) in respect of which ISDA publicly announces on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules shall, in each case, be the Reference Entity for the purposes of the relevant Series.

“**Reference Obligation**” means each obligation specified or of a type described as such hereon and any Substitute Reference Obligation.

“**Reference Portfolio**” means, if “First-to-Default” is specified hereon, a portfolio comprising all entities (each a “**Reference Entity**”) specified as such hereon and, in each case, any Successor.

“**Reference Transaction**” means a hypothetical credit derivative transaction (a) for which the Deliverable Obligation Terms and the Reference Obligation are (i) the same as in respect of the Notes (if such Deliverable Obligation Terms and Reference Obligation are specified hereon) or (ii) if and to the extent Deliverable Obligation Terms and/or the Reference Obligation are not specified, the Deliverable Obligation Terms and Reference Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity, (b) with a scheduled termination date matching the Scheduled Observation End Date of the Notes and (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Issuer’s hedging arrangements and/or any credit derivative elections made in relation to the Notes.

“**Relevant City Business Day**” has the meaning set out in the Rules.

“**Relevant Obligations**” means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information is available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

“**Replaced Deliverable Obligation Outstanding Amount**” has the meaning given to that term in Condition 6(a)(v)(4).

**“Replacement Deliverable Obligation”** has the meaning given to that term in Condition 6(a)(v)(4).

**“Representative Amount”** means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

**“Repudiation/Moratorium”** means the occurrence of both of the following events:

- (i) (a) an authorised officer of the Reference Entity or a Governmental Authority disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or
  - (b) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

**“Repudiation/Moratorium Evaluation Date”** means, if a Potential Repudiation/Moratorium occurs on or prior to the Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium, provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Observation End Date unless the Repudiation/Moratorium Extension Condition is satisfied.

**“Repudiation/Moratorium Extension Condition”** will be satisfied: (i) if ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Observation End Date, that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) or, if Condition 6(a)(v)(8)(y) applies, the Postponed Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) or (ii) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available is specified as applicable hereon, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen calendar days after the Scheduled Observation End Date. In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Observation End Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an

event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

**“Repudiation/Moratorium Extension Notice”** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/ Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/ Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

**“Resolve”** has the meaning set out in the Rules, and **“Resolved”** and **“Resolves”** shall be interpreted accordingly.

**“Restructuring”** means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Issue Date or, if Credit Event Backstop Date is specified as applicable, the Credit Event Backstop Date and (ii) the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- (b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- (c) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (A) the payment in euro of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (B) the occurrence of, agreement to or announcement of any of the events described in paragraphs (a) to (e) above due to an administrative adjustment, accounting adjustment or

tax adjustment or other technical adjustment occurring in the ordinary course of business; and

- (C) the occurrence of, agreement to or announcement of any of the events described in paragraphs (a) to (e) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

For purposes of the definition of Restructuring and Condition 6(a)(v)(12), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable hereon, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in this definition and the definition of Subordination shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in the second paragraph of this definition shall continue to refer to the Reference Entity.

**“Restructured Bond or Loan”** means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

**“Restructuring Date”** means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**“Restructuring Maturity Limitation Date”** means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Observation End Date, provided that, in circumstances where the Scheduled Observation End Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a **“Latest Maturity Restructured Bond or Loan”**) and the Scheduled Observation End Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Observation End Date is later than (i)(A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (ii) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Observation End Date.

**“Revised Currency Rate”** means, with respect to a Replacement Deliverable Obligation specified in a Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Replacement Deliverable Obligation is denominated that is determined either (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, by the Calculation Agent.

**“Rules”** has the meaning given to that term in the definition of Credit Derivatives Determinations Committee above.

**“Settlement Currency”** means the currency specified as such hereon, or if no currency is specified hereon, the Specified Currency of the Notes.

**“Settlement Method”** means, if (a) Auction Settlement is specified as the applicable Settlement Method hereon, Auction Settlement, (b) Cash Settlement is specified as the applicable Settlement Method hereon, Cash Settlement, or (c) Physical Settlement is specified as the applicable Settlement Method hereon, Physical Settlement.

“**Settlement Date**” means the last day of the longest Physical Settlement Period following the satisfaction of the Conditions to Settlement (the “**Scheduled Settlement Date**”), provided that, if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Settlement Date, the Settlement Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling 60 Business Days following the Scheduled Settlement Date.

“**Sovereign**” means any state, political subdivision, or government, or any agency, instrumentality, ministry, department or other authority (including without limiting the foregoing, the central bank) thereof.

“**Sovereign Agency**” means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

“**Sovereign Restructured Deliverable Obligation**” means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified hereon, and, subject to paragraph (2) of (d)(B) *Interpretation of Provisions* in the definition of “Deliverable Obligation”, having each of the Deliverable Obligation Characteristics, if any, specified hereon, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

“**Specified Number**” means the number of Public Source(s) specified hereon, or if no number is specified hereon, two.

“**Substitute Reference Obligation**” means one or more obligations of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applicable hereon, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that:
  - (i) a Reference Obligation is redeemed in whole; or
  - (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (1) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date), (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent, of the delivery and payment obligations of the Issuer and (3) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying



Affiliate Guarantee or, if “All Guarantees” is specified as applicable hereon, as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.

- (c) If more than one specific Reference Obligation is identified as a Reference Obligation hereon, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation hereon, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If:
  - (i) more than one specific Reference Obligation is identified as a Reference Obligation hereon, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations; or
  - (ii) if only one specific Reference Obligation is identified as a Reference Obligation hereon any of the events set forth in paragraph (a) above has occurred with respect to the Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation,

then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the Extension Date. If (A) either (i) Cash Settlement is specified as the Settlement Method hereon (or is applicable pursuant to the Fallback Settlement Method) and the Partial Cash Settlement Amount is determined by reference to a Reference Obligation or (ii) either Auction Settlement or Physical Settlement is specified as the Settlement Method hereon (or, in the case of Physical Settlement, is applicable pursuant to the Fallback Settlement Method) and, in each case the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), a Substitute Reference Obligation has not been identified, the obligations of the Issuer under the Notes shall cease as of the end of the day on the Extension Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation’s CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

“**Succession Event**” means (i) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, de-merger, spin off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (ii) with respect to

a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity. Notwithstanding the foregoing, “Succession Event” shall not include an event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event or (B) if Succession Event Backstop Date is specified as applicable, with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) applicable to the relevant Series.

“**Succession Event Backstop Date**” means (i) for purposes of any event that constitutes a Succession Event for purposes of the relevant Notes, as determined by DC Resolution, the date that is 90 calendar days prior to the Succession Event Resolution Request Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) or (ii) otherwise, the date that is 90 calendar days prior to the earlier of (A) the date on which the Succession Event Notice is effective and (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date. The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless specified hereon that the Succession Event Backstop Date will be adjusted in accordance with a specified Business Day Convention.

“**Succession Event Notice**” means a notice from the Calculation Agent to the Issuer that describes a Succession Event, if Succession Event Backstop Date is specified as applicable, that occurred on or after the Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate, Standard Japan Corporate, Japan Sovereign or Standard Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, of (i) whether a Succession Event has occurred and (ii) if relevant, the identity of any Successor(s).

“**Succession Event Resolution Request Date**” means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event for purposes of the Notes has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (A) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (B) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

“**Successor**” means, unless otherwise specified hereon:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
  - (i) if an entity directly or indirectly succeeds to 75% or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if one entity directly or indirectly succeeds to more than 25% (but less than 75%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25% of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25% of the Relevant Obligations will each be a Successor and the Terms and Conditions will be adjusted as provided below;
  - (iv) if one or more entities each directly or indirectly succeed to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25% of the Relevant Obligations of the Reference Entity remains with the Reference Entity, each such entity and the Reference Entity will be Successors and the Terms and Conditions will be adjusted as provided below;
  - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and
  - (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but not earlier than 14 days after the legally effective date of the relevant Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable; provided that the Calculation Agent will not make any such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraph (a) above and paragraphs (a) and (b)(A) of the definition of Succession Event Resolution Request Date (in the case of a Reference Entity that is not a Sovereign) or paragraph (b) above and paragraphs (a) and (b)(B) of the definition of Succession Event Resolution Request Date (in the case of a Sovereign Reference Entity) are satisfied in accordance with the Rules (until such time (if any) that ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant

Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred. In calculating the percentages used to determine the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, with respect to each applicable Relevant Obligation included in such calculation, the amount of the liability with respect to such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Noteholder(s) at the office of Issuer or Paying Agent.

Where pursuant to paragraph (a)(iii) or (a)(iv) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Terms and Conditions as it shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment.

The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of these Terms and Conditions in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Notes under the provisions of the 2003 ISDA Credit Derivatives Definitions. Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 15, stating the adjustment to these Terms and Conditions and giving brief details of the relevant Succession Event.

- (b) in relation to a Sovereign Reference Entity, each entity which becomes a direct or indirect successor to such Reference Entity by way of a Succession Event irrespective of whether such successor assumes any obligation of such Reference Entity.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but not earlier than 14 days after the date of the occurrence of the relevant Succession Event), and with effect from the date of the occurrence of the Succession Event, each Sovereign and/or entity, if any, that qualifies under (b) above, as applicable; provided that the Calculation Agent will not make any such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraph (b) above and paragraphs (a) and (b)(B) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules (until such time (if any) that ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred.

For the purposes of this definition, “**succeed**” means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to this paragraph (a) shall be made, in the case of an exchange offer, on the basis of the Outstanding Principal Balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the Outstanding Principal Balance of Bonds for which Relevant Obligations have been exchanged.

Where:

- (A) a Reference Obligation is specified hereon; and

(B) one or more Successors to the Reference Entity have been identified; and

(C) any one or more such Successors have not assumed the Reference Obligation,

a Substitute Reference Obligation will be determined in accordance with the definition of Substitute Reference Obligation above.

**“Supranational Organisation”** means any entity or organisation established by treaty or other arrangement between two or more Sovereigns, and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

**“Trade Date”** means the date specified as such hereon.

**“Transaction Auction Settlement Terms”** means, with respect to a Credit Event, the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of Credit Derivatives Auction Settlement Terms), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, inter alia, definitions of “Auction”, “Auction Cancellation Date”, “Auction Covered Transaction” and “Auction Final Price Determination Date” in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the Notes shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives Auction Settlement Terms).

**“Undeliverable Obligation”** means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including, without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Consent Required Loans or Assignable Loans) it is impossible or illegal to Deliver on the Settlement Date.

**“Unwind Amount”** means the amount, if any, specified hereon or, if **“Standard Unwind Amount”** are specified hereon, an amount determined by the Calculation Agent equal to the sum of (without duplication) all gains made by the Issuer and/or any of its Affiliates and/or agents (expressed as negative numbers) and all costs, fees, charges, expenses (including, without limitation, loss of funding and break funding charges and fees), tax and duties incurred by the Issuer and/or any of its Affiliates and/or agents in connection with the redemption of the Notes and the related termination, settlement or (expressed as positive numbers) re-establishment of any hedge or related trading position, such amount to be apportioned pro rata amongst each nominal amount of Notes equal to the lowest Specified Denomination set out hereon.

**“Valuation Date”** means (a) where Physical Settlement is specified as applicable hereon the day falling two Business Days after the Final Delivery Date, or (b) where Cash Settlement is specified as applicable hereon, if **“Single Valuation Date”** is specified hereon, the date that is the number of Business Days specified hereon after the satisfaction of all Conditions to Settlement or, if the number of Business Days is not so specified, five Business Days after the satisfaction of all Conditions to Settlement (or, if **“Cash Settlement”** is applicable pursuant to the Fallback Settlement Method, the date that is the number of Business Days specified hereon or, if the number of Business Days is not so specified, five Business Days after the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable), and, if **“Multiple Valuation Dates”** is specified hereon, each of the following dates:

- (i) subject to Condition 6(a)(v)(11) the date that is the number of Business Days specified hereon (or, if the number of Business Days is not specified, five Business Days)

following the satisfaction of all Conditions to Settlement (or if Cash Settlement is the applicable Fallback Settlement Method, the date that is the number of Business Days specified hereon (or, if the number of Business Days is not specified, five Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and

- (ii) each successive date that is the number of Business Days specified hereon (or if the number of Business Days is not so specified, five Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When “Multiple Valuation Dates” is specified hereon, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified hereon (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified hereon, Single Valuation Date shall apply.

**“Valuation Method”**

- (a) The following Valuation Methods may be specified hereon with only one Reference Obligation and only one Valuation Date:
  - (i) “**Market**” means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) “**Highest**” means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified hereon, the Valuation Method shall be Highest.

- (b) The following Valuation Methods may be specified hereon with only one Reference Obligation and more than one Valuation Date:
  - (i) “**Average Market**” means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
  - (ii) “**Highest**” means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
  - (iii) “**Average Highest**” means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified hereon, the Valuation Method shall be Average Highest.

- (c) The following Valuation Methods may be specified hereon with more than one Reference Obligation and only one Valuation Date:
  - (i) “**Blended Market**” means the unweighted arithmetic mean of the Market Values for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) “**Blended Highest**” means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date.

If no such Valuation Method is specified hereon, the Valuation Method shall be Blended Highest.

- (d) The following Valuation Methods may be specified hereon with more than one Reference Obligation and more than one Valuation Date:
- (i) “**Average Blended Market**” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or
  - (ii) “**Average Blended Highest**” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

If no such Valuation Method is specified hereon, the Valuation Method shall be Average Blended Highest.

- (e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

“**Valuation Time**” means the time specified as such hereon.

“**Voting Shares**” shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

“**Weighted Average Quotation**” means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an outstanding principal balance as large a size as available but less than Quotation Amount (but, if a Minimum Quotation Amount is specified hereon, of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

(16) *Provisions taken from the ISDA supplement titled “Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity (January 2005)”*

If this Condition 6(a)(v)(16) is specified as applicable hereon, the following provisions will apply:

- (i) **Obligation and Deliverable Obligation** Paragraph (a) of the definition of “Obligation” in Condition 6(a)(v)(15) and paragraph (a) of the definition of “Deliverable Obligation” in Condition 6(a)(v)(15) are hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”.
- (ii) **Interpretation of Provisions** In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, sub-paragraph(d)(B) of the definition of “Deliverable Obligation” in Condition 6(a)(v)(15) will apply, with references to the “Qualifying Guarantee”, the “Underlying Obligation” and the “Underlying Obligor” deemed to include the “Qualifying Policy”, the “Insured Instrument” and the “Insured Obligor”, respectively, except that:
  - (a) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in this Condition 6(a)(v) in respect of such an Insured Instrument shall be construed accordingly;

- (b) references in the definitions of “Assignable Loan” and “Consent Required Loan” to “the “guarantor” and “guaranteeing” shall be deemed to include “the “insurer” and “insuring”, respectively;
- (iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable hereon;
- (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified hereon and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
- (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “Outstanding Principal Balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

For the avoidance of doubt, if Condition 6(a)(v)(13) is specified as applying hereon, the amendments to sub-paragraph(d)(B) of the definition of “Deliverable Obligation” in Condition 6(a)(v)(15) provided in Condition 6(a)(v)(13) shall not be construed to apply to Qualifying Policies and Insured Instruments.

- (vi) **Not Contingent** An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 6(a)(v)(16) is applicable, no inference should be made as to the interpretation of the “Not Contingent” Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies.
- (vii) **Deliver** For the purposes of the definition of “Deliver” in Condition 6(a)(v)(15), “Deliver” with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.
- (viii) **Provisions for Determining a Successor** The paragraph commencing “For the purposes of this definition of “Successor” ...” in the definition of “Successor” in Condition 6(a)(v)(15) is hereby amended by adding “or insurer” after “or guarantor”.
- (ix) **Substitute Reference Obligation** The first paragraph of the definition of “Substitute Reference Obligation” and paragraph (b) thereof in Condition 6(a)(v)(15) is hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”. For the purposes of sub-paragraph (a)(ii)(B) of the definition of “Substitute Reference Obligation”, references to “the Qualifying Guarantee” and the “Underlying Obligation” shall be deemed to include “the Qualifying Policy” and “the Insured Instrument” respectively.



(x) ***Restructuring***

- (a) With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, paragraphs (i) to (v) inclusive of the definition of “Restructuring” in Condition 6(a)(v)(15) are hereby amended to read as follows:

“(i) a reduction in the rate or amount or the Instrument Payments in paragraph (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy;

(ii) a reduction in the amount of the Instrument Payments described in paragraph (A)(y) of the definition thereof that are guaranteed or insured by the Qualifying Policy;

(iii) a postponement or other deferral of a date or dates for either (x) the payment or accrual of the Instrument Payments described in paragraph (A)(x) of the definition thereof or (y) the payment of the Instrument Payments described in paragraph (A)(y) of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;

(iv) a change in the ranking in priority of payment of (x) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (y) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or

(v) any change in the currency or composition of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency which is not a Permitted Currency.”

- (b) Paragraph (c) of the definition of “Restructuring” in Condition 6(a)(v)(15) is hereby amended by adding “or, in the case of a Qualifying Policy and an Insured Instrument, where (A) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the Qualifying Policy” after “Reference Entity”.

- (c) The definition of “Restructuring” in Condition 6(a)(v)(15) is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

“For purposes of the definition of “Restructuring” in Condition 6(a)(v)(15) and if Condition 6(a)(v)(11) is specified as applicable hereon, for the purposes of this Condition 6(a)(v) the term Obligation shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in the definition of “Restructuring” shall be deemed to refer to the Insured Obligor and the references to the Reference Entity in paragraphs (a) to (c) inclusive in the definition of “Restructuring” shall continue to refer to the Reference Entity.”

- (xi) ***Fully Transferable Obligation and Conditionally Transferable Obligation*** In the event that “Restructuring Maturity Limitation and Fully Transferable Obligation” and/ or

“Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation” is specified as applicable hereon and a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition. References in the definition of “Conditionally Transferable Obligation” to the “guarantor” and “guaranteeing” shall be deemed to include “the “insurer” and “insuring” respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “final maturity date”, as such term is used in Condition 6(a)(v)(3) and the definition of “Restructuring Maturity Limitation Date”, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

(xii) **Other Provisions** For purposes of paragraph (a)(ii) of the definition of “Deliverable Obligation” and the definitions of “Credit Event” and “Deliver” in Condition 6(a)(v)(15), references to the “Underlying Obligation” and the “Underlying Obligor” shall be deemed to include “Insured Instruments” and the “Insured Obligor” respectively.

(xiii) **Additional Definitions**

“**Qualifying Policy**” means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 6(a)(v)(16)) (the “**Insured Instrument**”) for which another party (including a special purpose entity or trust) is the obligor (the “**Insured Obligor**”). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments);

“**Instrument Payments**” means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 6(a)(v)(16)(vi) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

“**Certificate Balance**” means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

(17) **Calculation Agent**

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 6(a)(v) and related provisions shall (in the absence of manifest error) be final and binding on the Issuer and the Noteholders and shall be without liability on the part of the Calculation Agent and without the Calculation Agent being obliged to consider the interests of the Issuer or the Noteholders. In performing its duties and functions pursuant to the Notes, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under this Condition 6(a)(v) including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any

later performance or exercise of such obligation or discretion, and neither the Calculation Agent nor the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

(18) *Calculation Agent Notices*

Any notice to be delivered by the Calculation Agent to the Issuer, pursuant to this Condition 6(a)(v) may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice delivered on or prior to 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. Any such notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day or on a day which is not a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

(19) *Amendment to Conditions in accordance with Market Convention*

The Calculation Agent may from time to time amend any provision of these Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent determines are necessary or desirable to reflect or govern market practice for credit derivative transactions. Any amendment made in accordance with this Condition 6(a)(v) shall be notified to the Noteholders in accordance with Condition 15.

(vi) Adjustments and Corrections

If Adjustments and Corrections is specified hereon as being applicable, the following provision will apply:

- (1) If, in respect of an Equity Linked Redemption Note relating to Shares originally quoted, listed and/or dealt as of the Issue Date in a currency of a member state of the European Union that has not adopted the euro, and such shares are at any time after the Issue Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange or, where no Exchange is specified, the principal market on which those shares are traded, the Calculation Agent will adjust any of the Strike Price, the Initial Share Price, the Final Share Price and/ or any other relevant terms as the Calculation Agent determines appropriate, to preserve the economic terms of the Notes. The Calculation Agent will make any conversion necessary for purposes of any such adjustment as of the Valuation Time on the relevant date at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time on such relevant date. No adjustments under this Condition will affect the currency denomination of any payment obligation arising under the Notes.
- (2) If, in relation to an Index Linked Redemption Note, the level in respect of the relevant Index published on the Exchange or by the Sponsor and, which is utilised for any calculation or determination made under the Notes, is subsequently corrected and the correction is published by the Exchange or the Sponsor after the original publication but not later than three Business Days before the due date for payment of any amount under the Notes, which is to be calculated by reference to such price or level, the Calculation Agent will determine the amount, (if any) that is payable as a result of that correction, and to the extent necessary, will adjust the terms of the Notes to account for such correction.

- (3) If, in relation to an Equity Linked Redemption Note or an Index Linked Redemption Note, an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i) or (ii) below:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of any Strike Price (in the case of Equity Linked Redemption Notes) and/or any of the other terms of these Terms and Conditions and/or the applicable Pricing Supplement to account for the Additional Disruption Event and determine the effective date of that adjustment; or
  - (ii) cancel the Notes by giving notice to Noteholders in accordance with Condition 15. If the Notes are so cancelled the Issuer will pay an amount to each Noteholder in respect of each Note or, if Units are specified in the applicable Pricing Supplement, each Unit, as the case may be, held by him which amount shall be the fair market value of a Note or a Unit, as the case may be, taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the holders in accordance with Condition 15.
- (4) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 15 stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

*6(b) Early Redemption*

(i) Zero Coupon Notes

- (1) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (2) Subject to the provisions of sub-paragraph (3) below, the “**Amortised Face Amount**” of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (3) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as described in sub-paragraph (2) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

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

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 11, shall be (a) the Final Redemption Amount; (b) determined by the Calculation Agent in its absolute discretion, acting in a commercially reasonable manner, to be the amount payable on the due date for redemption of the Notes which would have the effect of preserving for the holder of the Notes the economic equivalent of the obligations of the Issuer to make the payments of principal in respect of the Notes which would have fallen due after such due date for redemption, together with accrued interest thereon; or (c) as otherwise specified hereon.

*6(c) Redemption for Taxation Reasons*

The Notes may be redeemed at the option of the Issuer, having obtained prior approval by the Chairman of the Financial Services Agency of Japan (the “Chairman”) in the case of Subordinated Notes, in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by a Representative Director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

*6(d) Redemption at the Option of the Issuer and Exercise of Issuer’s Options*

If Call Option is specified hereon, the Issuer may, having obtained prior approval by the Chairman in the case of Subordinated Notes, and on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, or exercise any Issuer’s option (as may be exercised hereon) in relation to, all or, if so provided, some, of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified hereon and no greater than the maximum nominal amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer’s option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, or a partial exercise of an Issuer’s option, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements.

*6(e) Redemption at the Option of Noteholders and Exercise of Noteholders’ Options*

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

To exercise such option, or any other Noteholders' option that may be set out hereon (which must be exercised on an Option Exercise Date) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of the Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with 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. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

*6(f) Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

*6(g) Mandatory Early Redemption*

If Mandatory Early Redemption is specified hereon as being applicable the Notes shall be redeemed, in whole but not in part, by the Issuer on giving not less than five Business Days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) on the Early Redemption Date specified hereon. Any such redemption of Notes shall be at their Early Redemption Amount specified hereon together with interest accrued to the date fixed for redemption.

*6(h) Early Redemption due to Benchmark Event:*

If a Benchmark Redemption Event has occurred as provided in Condition 5(b)(iii)(C), the Issuer shall as soon as reasonably practicable, and on giving not less than 15 calendar days' nor more than 30 calendar days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 15, redeem the Notes at the Benchmark Redemption Amount (as defined below) or any Early Redemption Amount as specified hereon, as specified in the notice.

*6(i) Purchases*

The Issuer and any of its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

*6(j) Cancellation*

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may, having obtained the approval by the Chairman in the case of Subordinated Notes, be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **7 Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Additional Disruption Event" means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing and/or Loss of Stock Borrow, in each case if specified in the applicable Pricing Supplement and, in the case of Notes linked to an ETF, the following events:

- (a) the Shares are reclassified or the Share Issuer is acquired by, or aggregated into, another fund, depositary bank, pooled investment vehicle, collective investment scheme, partnership, trust or other similar legal arrangement whose mandate, risk-profile and/or benchmarks are different from the mandate, risk-profile and/or benchmark of the Share Issuer as stated as at the Trade Date;

- (b) there is a material change in the Share Issuer, the constitutional documents of the Share Issuer or the mandate, risk profile, investment guidelines or objectives or the dealing terms of the Share Issuer as stated as at the Trade Date (including without limitation any change in the type of assets in which the relevant Share Issuer invests or the level of embedded leverage);
- (c) there is a material breach of the constitutional documents of the Share Issuer or the investment, borrowing or stock lending restrictions of the Share Issuer;
- (d) the currency denomination of the Shares is amended in accordance with the constitutional documents of the Share Issuer;
- (e) any change in the regulatory or tax treatment applicable to the Share Issuer or the Shares, as applicable, which could have a negative effect on the Issuer or its Affiliates if it were the holder of such Shares;
- (f) activities of the Share Issuer, its directors, the trustee and/or the investment manager of the Share Issuer or any service provider of the Share Issuer becomes subject to (i) any investigation, review, proceeding or litigation for reasons of any alleged wrongdoing, breach of any rule or regulation or other similar reason, or (ii) any disciplinary action is taken in respect of such Share Issuer, its directors, the trustee and/or the investment manager of the Share Issuer or service providers (including without limitation the suspension or removal of any requisite approval or licence), in each case by any governmental, legal, administrative or regulatory authority;
- (g) a change in national, international, financial, political or economic conditions or currency exchange rate or exchange controls;
- (h) a material change or prospective material change in the size, nature, management or frequency of trading of the Shares or any other characteristics of the Share Issuer;
- (i) the occurrence or existence of any event, circumstance or cause beyond the control of the Issuer that has had or would be expected to have a material adverse effect on (i) the ability of the Issuer and/or its Affiliates to hold, acquire, deal in or dispose of the Share issued or created by the Share Issuer or (ii) the cost which the Issuer and/or its Affiliates incurs in holding, acquiring, dealing in or disposing of the Share issued or created by the Share Issuer;
- (j) a change in the operation, organisation or management of any Share Issuer (including without limitation any change to the service providers of the Share Issuer) which the Calculation Agent considers to have a material effect on the Notes or on the Issuer (including the Issuer's hedging risk profile or ability to effectively hedge its liability under the Notes);
- (k) in relation to the events in paragraphs (a) to (e) above, there is an announcement by or on behalf of the Share Issuer or by the Exchange that such an event will occur;
- (l) an illegality occurs or the relevant authorisation or licence is revoked in respect of the directors, the trustee and/or the investment manager of the Share Issuer and/or the Share Issuer;
- (m) the Share Issuer no longer tracks the performance of the index tracked by it as of the Trade Date (the "Reference Index") or no longer uses the same tracking methodology in place as of the Trade Date; or
- (n) the Reference Index is permanently cancelled and no successor index, using (in the determination of the Issuer) the same or substantially similar formula and method of calculation as used in the calculation of the Reference Index, exists.

"Affected Shares" means Shares affected by a Merger Event or a Tender Offer, as the case may be.

"Averaging Date" means, subject as provided in Conditions 6(a)(iii)(3)(B) and 6(a)(iv)(6), in respect of the Valuation Date (Equity) or the Valuation Date (Index), in respect of a Share or an Index, each date specified or otherwise determined in respect of that Share or Index as provided hereon (or, if any such

date is not a Scheduled Trading Day in respect of the relevant Share or Index, the next following such Scheduled Trading Day).

“Basket” means a basket composed of Shares (a “Basket of Shares”) of each Share Issuer specified hereon in the relative proportions or numbers of Shares of each Share Issuer specified hereon.

“Basket Company” means a company whose shares are included in the Basket of Shares and “Basket Companies” means all such companies.

“Benchmark Redemption Amount” means the Market Value together with interest accrued thereon, if any, to but excluding the Early Redemption Date. The amount of applicable accrued interest shall be determined by the Calculation Agent in good faith and in a commercially reasonable manner.

“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 day on which the TARGET system is operating (a “TARGET Business Day”); and/or
- (iii) in the case of a currency and/or one or more jurisdictions as shall be specified as “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.

“Business Day Convention” has the meaning given in Condition 5(b)(ii).

“Calculation Amount” is specified in the Pricing Supplement and will constitute either

- (i) in the case of one single denomination, the amount of that denomination or
- (ii) in the case of multi denominations, the highest common amount by which the multiple denominations may be divided.

“Change in Law” means that, on or after the Trade Date (as specified in the applicable Pricing Supplement) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (X) it has become illegal to hold, acquire or dispose of any relevant Share (in the case of Equity Linked Notes) or any relevant Component Security comprised in an Index (in the case of Index Linked Notes) or (Y) it will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

“Combined Consideration” means New Shares in combination with Other Consideration.

“Component Security” means, in respect of an Index, any share, security, commodity, rate, index or other component included in such Index, as determined by the Calculation Agent.

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

- (i) if “Actual/365” or “Actual/Actual – ISDA” is specified hereon, 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 hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the 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 D<sub>2</sub> will be 30

- (vii) if “Actual/Actual-ICMA” is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

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

“Determination Date” means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

“De-Listing” means that the relevant Exchange announces that pursuant to the rules of such Exchange, the Shares and/or Underlying Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, retraded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member

state of the European Union) and such Shares and/or Underlying Shares are no longer listed on an Exchange acceptable to the Issuer, provided that, in the case of Shares which are depository receipts, a De-Listing shall not occur in respect of the Underlying Shares if the Underlying Shares are immediately re-listed, re-traded or re-quoted on an exchange or quotation system regardless of the location of such exchange or quotation system.

“Deposit Agreement” means, in respect of Shares which are depository receipts, the agreements or other instruments constituting the relevant Shares, as from time to time amended or supplemented in accordance with their terms.

“Disrupted Day” means:

- (i) in respect of a Share, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event (Equity) has occurred;
- (ii) in respect of a Unitary Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event (Index) has occurred; or
- (iii) in respect of a Multi Exchange Index, any Scheduled Trading Day on which (a) the Sponsor fails to publish the level of the Index (provided that the Calculation Agent may, in its absolute discretion, determine that such event instead results in the occurrence of an Index Disruption), (b) any Related Exchange fails to open for trading during its regular trading session, or (c) a Market Disruption Event (Index) has occurred.

The Issuer shall as soon as reasonably practicable under the circumstances notify the Noteholders in accordance with Condition 15 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Initial Averaging Date, Averaging Date, a Valuation Date, (Equity), or Valuation Date (Index). Without limiting the obligation of the Issuer to notify the Noteholders as set forth in the preceding sentence, failure by the Issuer to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on any Note.

“Disruption Cash Settlement Price” means in respect of each nominal amount of Equity Linked Redemption Notes (or Equity Linked Interest Notes where the context so requires) equal to the Specified Denomination, the Disruption Cash Settlement Price specified hereon or, if no such amount is specified hereon, an amount equal to the fair market value of such nominal amount of the Equity Linked Redemption Note less the proportionate cost, if any, to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion.

“Early Closure” means:

- (i) in respect of a Share, the closure on any Exchange Business Day of any relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day;
- (ii) in respect of a Unitary Index, the closure on any Exchange Business Day of any relevant Exchange relating to Component Securities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission

deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or

- (iii) in respect of a Multi Exchange Index, the closure on any Exchange Business Day of any relevant Exchange relating to any Component Security or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

“Equity Linked Notes” means, where the context so requires, Equity Linked Interest Notes, Equity Linked Redemption Notes or a combination of both of the above as provided for under the Programme.

“ETF” means an exchange traded fund.

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union.

“Exchange” means:

- (i) in respect of a Share, each exchange or quotation system specified hereon as such for such Share, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated as the Calculation Agent may (in its absolute discretion) select and as notified to Noteholders by the Issuer in accordance with Condition 15, (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute stock exchange or quotation system as on the original Exchange);
- (ii) in respect of a Unitary Index, each exchange or quotation system specified hereon as such for such Index, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Component Securities underlying such Index has temporarily relocated as the Calculation Agent may (in its absolute discretion) select and as notified to Noteholders by the Issuer in accordance with Condition 15, (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Component Securities underlying such Index on such temporary substitute exchange or quotation system as on the original Exchange); or
- (iii) in respect of a Multi Exchange Index and any Component Security underlying the Index, the principal stock exchange on which such Component Security underlying the Index is principally traded, as determined by the Calculation Agent in its absolute discretion.

“Exchange Business Day” means:

- (i) in respect of any Share or Unitary Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or
- (ii) in respect of any Multi Exchange Index, any Scheduled Trading Day on which (a) the Sponsor calculates and publishes the level of the Index and (b) each Related Exchange for the Index is open for trading during their respective regular trading sessions, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

“Exchange Disruption” means:

- (i) in respect of any Share or Unitary Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (a) to effect transactions in, or obtain market values for, the Shares on the Exchange (or in the case of an Index, the Component Securities on any relevant Exchange(s) that comprise 20 per cent. or more of the level of the relevant Index), or (b) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share or the relevant Index on any relevant Related Exchange; or
- (ii) in respect of a Multi Exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (a) any Component Security on the relevant Exchange in respect of such Component Security, or (b) futures or options contracts relating to relevant Index on any relevant Related Exchange.

“Extraordinary Dividend” means, in respect of a Share, an amount specified or otherwise determined as provided hereon. If no Extraordinary Dividend is specified or otherwise determined as provided hereon, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent.

“Final Price (Index)” means, in respect of an Index, unless otherwise specified in the relevant Pricing Supplement (i) the Relevant Price (Index) on the Valuation Date (Index); or (ii) if Averaging Dates are specified in the relevant Pricing Supplement, the arithmetic mean of the Relevant Price (Index) of the Index on each Averaging Date.

“Final Redemption Amount” means its outstanding nominal amount unless specified in the relevant Pricing Supplement.

“Final Share Price” means, in respect of a Share, the price of one Share at the Valuation Time on the Valuation Date (Equity) as determined by the Calculation Agent.

“Fractional Amount” means any fractional interest in one Share to which a Noteholder would be entitled pursuant to Condition 6(a)(iii)(4).

“Fractional Cash Amount” means, in respect of each Note and in respect of Shares of a Share Issuer, the amount in the Specified Currency (rounded to the nearest smallest transferable unit of such currency, half such a unit being rounded upwards) calculated by the Calculation Agent in accordance with the following formula: Fractional Cash Amount = (the Final Share Price x Fractional Amount x FX Rate).

“FX Rate” means, in respect of a Share, on any date, the prevailing spot rate determined by the Calculation Agent in its discretion as the number of units of the Specified Currency that could be bought with one unit of the currency in which the relevant Share is quoted on that date on the relevant Exchange.

“Hedging Disruption” means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

“Hedging Shares” means the number of Shares (in the case of Equity Linked Notes) or Component Securities comprised in an Index (in the case of Index Linked Notes) that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.

“Increased Cost of Hedging” means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax,

duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

“Increased Cost of Stock Borrow” means that the Issuer and/or any of its Affiliates would incur a rate to borrow any Share (in the case of Equity Linked Notes) or any Component Securities comprised in an Index (in the case of Index Linked Notes) that is greater than the Initial Stock Loan Rate.

“Index” means each index specified as such in the relevant Pricing Supplement.

“Index Adjustment Event” means any Index Cancellation, Index Modification or Index Disruption.

“Index Cancellation” means, if in the determination of the Calculation Agent, on or prior to any Valuation Date (Index), Initial Setting Date, Initial Averaging Date or Averaging Date, the Sponsor permanently cancels the Index and no Successor Index exists.

“Index Disruption” means, if, in the determination of the Calculation Agent, on or prior to any Valuation Date (Index), Initial Setting Date, Initial Averaging Date or Averaging Date, the Sponsor fails to calculate and announce the level of the Index, provided that, in respect of a Multi Exchange Index, the Calculation Agent may, in its absolute discretion, determine that such event instead results in the occurrence of a Disrupted Day.

“Index Linked Notes” means, where the context so requires, Index Linked Interest Notes, Index Linked Redemption Notes, or a combination of both of the above as provided for under the Programme.

“Index Modification” means if, in the determination of the Calculation Agent, on or before any Valuation Date (Index), Initial Setting Date, Initial Averaging Date or Averaging Date the Sponsor announces that it will make a material change in the formula for or the method of calculating an Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain an Index in the event of changes in Component Securities and capitalisation and other routine events).

“Initial Averaging Date” means, (a) subject as provided in Condition 6(a)(iii)(3)(A), in respect of the Initial Setting Date in respect of a Share, each date specified or otherwise determined in respect of that Share as provided hereon (or, if any such date is not a Scheduled Trading Day in respect of that Share, the next following such Scheduled Trading Day), (b) subject as provided in Condition 6(a)(iv)(5), in respect of the Initial Setting Date in respect of an Index, each date specified or otherwise determined in respect of that Index as provided hereon (or, if any such date is not a Scheduled Trading Day in respect of that Index, the next following such Scheduled Trading Day).

“Initial Setting Date” means, (a) in respect of a Share, subject as provided in Condition 6(a)(iii)(3)(A), the date so specified hereon (or, if that day is not a Scheduled Trading Day in respect of that Share, the next following such Scheduled Trading Day), (b) in respect of an Index, subject as provided in Condition 6(a)(iv)(5), the date so specified hereon (or, if that day is not a Scheduled Trading Day in respect of that Index, the next following such Scheduled Trading Day)  
“Initial Share Price” means in respect of the first Valuation Date (Equity), the price specified hereon as such and in respect of each subsequent Valuation Date, the Final Share Price for the Valuation Date (Equity) immediately preceding such Valuation Date (Equity).

“Initial Stock Loan Rate” means, in respect of a Share (in the case of Equity Linked Notes) or a Component Security comprised in an Index (in the case of Index Linked Notes), the Initial Stock

Loan Rate specified in relation to such Share, or Component Security in the applicable Pricing Supplement.

“Insolvency” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer or Underlying Share Issuer, as appropriate, (A) all the shares of that Share Issuer or any Underlying Share Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares and/or Underlying Shares of that Share Issuer or Underlying Share Issuer, as appropriate, become legally prohibited from transferring them.

“Insolvency Filing” means that a Share Company (or Underlying Share Issuer, if applicable) or Basket Company (or any Underlying Share Issuer relating to each company whose shares are listed in the Basket of Shares) institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by such company shall not be deemed an Insolvency Filing.

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

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified hereon.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“Interest Payment Dates” means the dates specified as such in the relevant Pricing Supplement.

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

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the 2006 ISDA Definitions (or as amended and supplemented on the Issue Date of the Notes) published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“Loss of Stock Borrow” means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Share (in the case of Equity Linked Notes) or any Component Securities comprised in an Index (in the case of Index Linked Notes) in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

“Market Disruption Event (Equity)” means, in respect of a Share, the occurrence or existence on any Scheduled Trading Day of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure.

“Market Disruption Event (Index)” means:

- (i) in respect of a Unitary Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure.

For the purposes of determining whether a Market Disruption Event in respect of a Unitary Index exists at any time, if an Early Closure, an Exchange Disruption, or a Trading Disruption occurs in respect of a Component Security included in the Index at any time, then the relevant percentage contribution of that Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event; or

- (ii) in respect of any Multi Exchange Index, either:

- (a) (1) the occurrence or existence, in respect of any Component Security underlying the Index, of:

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

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

- (C) an Early Closure in respect of such Component Security; and

- (2) the aggregate of all Component Securities underlying the Index in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of such Multi Exchange Index; or

- (b) the occurrence or existence, in each case in respect of futures or options contracts relating to the Index, of (1) a Trading Disruption or (2) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange, or (3) an Early Closure.

For the purposes of determining whether a Market Disruption Event in respect of a Multi Exchange Index exists at any time, if an Early Closure, an Exchange Disruption, or a Trading Disruption occurs in respect of a Component Security included in the Index at that time, then the relevant percentage contribution of such Component Security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that



Component Security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

“Market Value” means an amount determined by the Calculation Agent in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner, to be a fair market value of each Note based on the market conditions prevailing at the date of determination and adjusted to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements but disregarding the financial condition of the Issuer, who shall be assumed for this purpose to be able to fully perform its obligations under the Notes.

“Maximum Stock Loan Rate” means, in respect of a Share (in the case of Equity Linked Notes) or a Component Security comprised in an Index (in the case of Index Linked Notes), the Maximum Stock Loan Rate specified in the applicable Pricing Supplement.

“Merger Date” means in respect of a Merger Event of a Share Issuer, the closing date of such Merger Event or, where the Calculation Agent determines that a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“Merger Event” means in respect of any Shares and/or the Underlying Shares, any (i) reclassification or change of the Shares and/or the Underlying Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares and/or Underlying Shares outstanding, to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the relevant Share Issuer or Underlying Share Issuer, as appropriate, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which the relevant Share Issuer or Underlying Share Issuer, as appropriate, is the continuing entity and which does not result in reclassification or change of all of such Shares and/or Underlying Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares and/or Underlying Shares of the relevant Share Issuer or Underlying Share Issuer, as appropriate, that results in a transfer of or an irrevocable commitment to transfer all such Shares and/or Underlying Shares (other than such Shares and/or Underlying Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the relevant Share Issuer or any Underlying Share Issuer, as appropriate, or its subsidiaries with or into another entity in which such Share Issuer or any Underlying Share Issuer, as appropriate, is the continuing entity and which does not result in a reclassification or change of all such Shares and/or Underlying Shares outstanding but results in the outstanding Shares and/or Underlying Shares (other than Shares and/or Underlying Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares and/or Underlying Shares immediately following such event (a “Reverse Merger”), in each case if the Merger Date is on or before the relevant Valuation Date (Equity).

“Multi Exchange Index” means any Index which is specified as such in the relevant Pricing Supplement, or, if not specified, any Index the Calculation Agent determines as such.

“Nationalisation” means that all the Shares and/or Underlying Shares or all or substantially all the assets of the relevant Share Issuer or Underlying Share Issuer, as appropriate, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity or instrumentality thereof.

“New Shares” means ordinary or common shares, whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that as of the Merger Date or Tender Offer Date are promptly scheduled to be, (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member of state of the European Union) or on another exchange acceptable to the Issuer and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations.

“Other Consideration” means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party).

“Potential Adjustment Event” means, with respect to any Share Issuer or any Underlying Share Issuer (if applicable), any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Shares and/or Underlying Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares and/or Underlying Shares to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Shares and/or Underlying Shares of (1) such Shares and/or Underlying Shares or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer or the Underlying Share Issuer, as appropriate, equally or proportionately with such payments to holders of such Shares and/or Underlying Shares or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Issuer or the Underlying Share Issuer, as appropriate, as a result of a spin-off or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an Extraordinary Dividend;
- (d) a call by the Share Issuer or the Underlying Share Issuer in respect of relevant Shares and/or Underlying Shares that are not fully paid;
- (e) a repurchase by the Share Issuer, the Underlying Share Issuer or any of its subsidiaries of relevant Shares and/or Underlying Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (f) in respect of the Share Issuer or the Underlying Share Issuer, as appropriate, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Issuer or the Underlying Share Issuer, as appropriate, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights;
- (g) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares and/or Underlying Shares;
- (h) in the case of Shares which are depository receipts, the making of any amendment or supplement to the terms of the Deposit Agreement; or
- (i) in the case of Notes linked to an ETF, the following additional events:
  - (A) a distribution to all holders of the Shares of additional Shares; or
  - (B) the Shares subdivide; or
  - (C) the Shares are combined into a smaller number of such Shares; or
  - (D) rights or warrants to all holders of its Shares are granted entitling the holders to subscribe for or acquire additional such Shares at a price per Share less than the closing price per Share on any stock exchange on which such Shares are listed on the date of such grant; or

- (E) the Maturity Date falls on or after the date on which holders of any of the Shares become bound to transfer any of such Shares held by them to, or to the order of, any agency or authority of any government (or any political subdivision thereof) or any entity controlled by any government (or any political subdivision thereof); or
- (F) for any reason, other than the existence of a Market Disruption Event or the occurrence of a nationalisation, the Shares cease to trade in the form in which such Shares existed on the date of issue of the Note, or a closing price in respect of such Shares on any relevant exchange ceases to be available; or
- (G) an order is made or an effective resolution is passed for the dissolution or de-listing of the Shares,

provided that, in the case of Shares which are depository receipts, an event under paragraphs (a) to (g) above in respect of the Underlying Shares shall not constitute a Potential Adjustment Event unless, in the opinion of the Calculation Agent, such event has a diluting or concentrative effect on the theoretical value of the Shares.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer or as specified hereon.

“Reference Rate” means the rate specified as such hereon.

“Relevant Clearing System” means the clearing system specified hereon.

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

“Relevant Clearing System Business Day” means any day on which the Relevant Clearing System is (or, but for the occurrence of a Settlement Disruption Event would have been) open for the acceptance and execution of settlement instructions.

“Relevant Price (Index)” the level of the Index determined by the Calculation Agent in accordance with the method as specified in the relevant Pricing Supplement as of the Valuation Time on the Valuation Date (Index) or Averaging Date, as the case may be, or, if no means for determining the Relevant Price (Index) are so specified, the level of the Index as of the Valuation Time on the Valuation Date (Index) or Averaging Date, as the case may be, in the absolute discretion of the Calculation Agent.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified hereon;

“Reverse Merger” is as defined under “Merger Event”.

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

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

“Scheduled Trading Day” means:

- (i) in respect of any Share or Unitary Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions; or
- (ii) in respect of a Multi Exchange Index, any day on which (a) the Sponsor is scheduled to publish the level of the Index and (b) each Related Exchange is scheduled to be open for trading for their respective regular trading sessions.

“Settlement Date” means the date specified hereon or if none is specified, the Maturity Date unless a Settlement Disruption Event prevents settlement on that day. If a Settlement Disruption Event does prevent settlement on that day, then the Settlement Date will be the first succeeding day on which settlement can take place through the Share Delivery Clearance System or, as the case may be, the Relevant Clearing System, unless a Settlement Disruption Event prevents settlement on each of the 10 Share Delivery Clearance System Business Days or, as the case may be, Relevant Clearing System Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been the Settlement Date. In that case, (a) if the Shares can be delivered in any other commercially reasonable manner, as determined by the Calculation Agent, then the Settlement Date will be the first day on which settlement of a sale of Shares executed on that 10th Share Delivery Clearance System Business Day or, as the case may be, Relevant Clearing System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed to be the Share Delivery Clearance System or, as the case may be, the Relevant Clearing System for purposes of delivery of the relevant Shares), and (b) if the Shares cannot, in the determination of the Calculation Agent, be delivered in any other commercially reasonable manner, then the Settlement Date will be postponed until delivery can be effected through the Share Delivery Clearance System or, as the case may be, the Relevant Clearing System or any other commercially reasonable manner, as determined by the Calculation Agent.

“Settlement Disruption Event” means an event determined by the Calculation Agent to be beyond the control of the Issuer as a result of which the Share Delivery Clearance System or, as the case may be, the Relevant Clearing System cannot, in the determination of the Calculation Agent, clear the transfer of the Shares in accordance with the Delivery Method specified hereon.

“Shares” means the shares or other securities specified as such in the relevant Pricing Supplement.

“Share Amount” means the number of Shares to be delivered in respect of an Interest Amount (for Equity Linked Interest Notes) or the Final Redemption Amount (for Equity Linked Redemption Notes) as specified hereon.

“Share Amount Settlement Date” means in respect of a Share, subject as provided in Condition 6(a)(iii), the Maturity Date or if such day is not a day on which Shares comprised in the Share Amount may be delivered to Noteholders in the manner which the Calculation Agent has determined to be appropriate, the first succeeding day that is a day on which Shares comprised in the Share Amount may be delivered to Noteholders in the manner which the Calculation Agent has determined.

“Share Business Day” means a day (other than a Saturday or a Sunday or a legal holiday) on which commercial banks settle payments in the Applicable Business Day Centre(s) specified hereon.

“Share Company” means, in the case of an issue of Notes relating to a single share, the company that has issued such share.

“Share Delivery Clearance System” means the system specified hereon or any clearing system in which the transfer of Shares may be settled, as nominated by the Calculation Agent in its absolute discretion, or any successor to or transferee of such clearance system.

“Share Delivery Clearance System Business Day” means any day on which the Share Delivery Clearance System is (or, but for the occurrence of a Settlement Disruption Event would have been) open for the acceptance and execution of settlement instructions other than a day on which the Share Delivery Clearance System is scheduled to close prior to its regular weekday closing time.

“Share-for-Combined” means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares and/or Underlying Shares consists of Combined Consideration.

“Share-for-Other” means, in respect of a Merger Event or Tender Offer, that the Consideration for the relevant Shares and/or Underlying Shares consists solely of Other Consideration.

“Share-for-Share” means (i) in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares and/or Underlying Shares consists (or, at the option of the holders of such Shares and/or Underlying Shares, will consist) solely of New Shares and/or Underlying Shares, and (ii) a Reverse Merger.

“Share Issuer” means subject to Condition 6(a)(iii)(5), the issuer of the relevant Shares as specified hereon, provided that (a) in respect of any Shares that are depository receipts, the Share Issuer shall be the depository of such depository receipts; and (b) in respect of any Shares that constitute units in an ETF, the Share Issuer shall be the issuer of, or other legal arrangement giving rise to, the interest issued to or held by an investor in such ETF.

“Share Price” means on any day, the price of the relevant Share quoted on the relevant Exchange as determined by the Calculation Agent as at the Valuation Time on such day.

“Specified Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“Specified Interest Payment Dates” means the dates specified as such in the relevant Pricing Supplement.

“Sponsor” means the corporation or entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day.

“Substitute Share Issuer” means a company as determined by the Calculation Agent in its absolute discretion.

“Successor Index” means a successor index which, in the determination of the Calculation Agent, uses the same or a substantially similar formula for and method of calculation as used in the calculation of the original Index.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 17 November 2007 or any successor thereto.

“TARGET Settlement Day” means a day on which the TARGET System is operating.

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

“Tender Offer Date” means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold specified hereon are actually purchased or otherwise obtained (as determined by the Calculation Agent).

“Trading Disruption” means:

- (i) in respect of any Share or Unitary Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the Share on the Exchange (or in the case of the Index, on any relevant Exchange(s) relating to Component Securities that compromise 20 per cent. or more of the level of the relevant Index), or (b) in futures or options contracts relating to the Share or the relevant Index on any relevant Related Exchange; or
- (ii) in respect of a Multi Exchange Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to any Component Security underlying the Index on the Exchange in respect of such Component Security, or (b) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

“Third Party” means a person acceptable to the Calculation Agent, which from time to time calculates and publishes the Index instead of the Sponsor, and shall include any agents or other persons acting on behalf of such persons.

“Underlying Share Issuer” means, in respect of Shares which are depository receipts, the issuer as specified hereon.

“Underlying Shares” means, in respect of Shares which are depository receipts, the shares of the Underlying Share Issuer held by the depository.

“Unitary Index” means any Index which is specified as such in the relevant Pricing Supplement, or, if not specified, any Index the Calculation Agent determines as such.

“Valid Date” means a Scheduled Trading Day which the Calculation Agent determines is not a Disrupted Day and on which another Initial Averaging Date or Averaging Date does not occur or is not deemed to occur.

“Valuation Date (Equity)” means, in respect of a Share, subject as provided in Condition 6(a)(iii)(3)(A), either the date specified as such in the Pricing Supplement or, if that day is not an Exchange Business Day for that Share, the next following day that is a Scheduled Trading Day for that Share.

“Valuation Date (Index)” means, in respect of an Index, subject as provided in Condition 6(a)(iv)(5), either the date specified as such in the Pricing Supplement or, if that day is not a Scheduled Trading Day for that Index, the next following day that is a Scheduled Trading Day for that Index.

“Valuation Time” means:

- (i) in respect of a Share, the time specified hereon as such or, if no such time is specified the close of trading on the relevant Exchange in relation to that Share or in either such case, such other time as the Calculation Agent may select in its absolute discretion and as notified to Noteholders by the Issuer in accordance with Condition 15 (provided that if the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time);
- (ii) in respect of a Unitary Index, the time specified hereon or, if no such time is specified, the time with reference to which the Sponsor calculates the closing level of such Index, or in

either such case, such other time as the Calculation Agent may determine in its absolute discretion and as notified to Noteholders by the Issuer in accordance with Condition 15; or

(iii) in respect of a Multi Exchange Index:

- (a) for the purposes of determining whether an Early Closure, an Exchange Disruption or a Trading Disruption has occurred in respect of (1) any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security (provided that, if the relevant Exchange closes prior to its Scheduled Closing Time, then the Valuation Time shall be such actual closing time), and (2) any options contracts or futures contracts on the Index, the close of trading on the Related Exchange, and
- (b) in all other circumstances, the time with reference to which the Sponsor calculates the closing level of the Index,

or in either such case, such other time as the Calculation Agent may determine in its absolute discretion and as notified to Noteholders by the Issuer in accordance with Condition 15.

## **8 Payments and Talons**

### *8(a) Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 8(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means 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 TARGET System.

### *8(b) Registered Notes*

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

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

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

*8(d) Payments subject to Laws*

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

*8(e) Appointment of Agents*

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) one or more Calculation Agent(s) where the Conditions so require, (iv) a Paying Agent having a specific office in a major European city and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

*For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note or, as the case may be, a Global Certificate is exchanged for definitive Notes, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note or, as the case may be, a Global Certificate is exchanged for definitive Notes, an announcement of such exchange will be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.*

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above. Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

*8(f) Unmatured Coupons and Receipts and unexchanged Talons*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes, Credit Linked Notes or Index linked Notes), they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note, Credit Linked Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.



- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

*8(g) Talons*

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

*8(h) Non-Business Days*

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Financial Centres” hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the Principal Financial Centre of the country of such currency or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

*8(i) Payment of Japanese Yen Equivalent*

If a Currency Disruption Event (as defined below) is specified in the Pricing Supplement as being applicable the following provisions of this Condition 8(i) shall apply to the Notes.

If the Calculation Agent determines (in its sole discretion acting in good faith and in a commercially reasonable manner) that a Currency Disruption Event has occurred or is subsisting during the Currency Disruption Determination Period (as defined below) then:

- (i) The Calculation Agent shall notify the Issuer and the Fiscal Agent of its determination as soon as practicable after making such determination (but in no event later than 8.00 a.m. London time one (1) Business Day after the last day of the Currency Disruption Determination Period) whereupon the Fiscal Agent shall as soon as practicable thereafter (but in no event later than one (1) Business Day after receipt of the afore-mentioned notice from the Calculation Agent) notify the Noteholders thereof (in accordance with Condition 15 of the Notes), and
- (ii) Noteholders will not be entitled to any amounts in respect of the Notes until the earlier to occur of (i) the day falling two Business Days after the day on which the Issuer is notified by the Calculation Agent that a Currency Disruption Event no longer subsists and (ii) the Deferred Interest Payment Date (as defined below), the Deferred Maturity Date (as defined below), or the Deferred Early Redemption Date (as defined below), as the case may be.

If a Currency Disruption Event no longer subsists, the Calculation Agent shall notify the Issuer and the Fiscal Agent thereof as soon as practicable on or after the Business Day on which the Currency Disruption Event no longer subsists (but in no event later than one (1) Business Day thereafter) whereupon the Fiscal Agent shall as soon as practicable thereafter (but in no event later than one (1) Business Day after receipt of the afore-mentioned notice from the Calculation Agent) notify the Noteholders thereof (in accordance with Condition 15 of the Notes).

If any amount is to be paid on a Deferred Interest Payment Date, Deferred Maturity Date or Deferred Early Redemption Date (as the case may be), regardless of whether a Currency Disruption Event is still subsisting at such time, payment shall be made in Japanese Yen (“JPY”) and shall be calculated by the

Calculation Agent (and promptly notified to the Fiscal Agent and the Issuer (but in no event later than two Business Days before the Deferred Interest Payment Date, Deferred Maturity Date or Deferred Early Redemption Date (as the case may be))) in an amount per Calculation Amount which shall be produced by the following provisions, such amount to be rounded to the nearest whole JPY (with JPY 0.5 being rounded upwards):

In the case of Turkish lira (“TRY”):

[Relevant TRY Amount ÷ Exchange Rate]

In the case of South African rand (“ZAR”):

[Relevant ZAR Amount ÷ Exchange Rate]

For the avoidance of doubt, notwithstanding Condition 16, no additional amounts shall be payable by the Issuer in respect of any delay in payment beyond the originally scheduled Interest Payment Date, Maturity Date, or as the case may be, Early Redemption Date (in each case, as adjusted, if appropriate, in accordance with the Business Day Convention as specified in the Pricing Supplement) to the Deferred Interest Payment Date, Deferred Maturity Date or Deferred Early Redemption Date (as appropriate) because of the operation of the provisions of this Condition 8(i).

For the purposes of this Condition 8(i):

“Currency Disruption Determination Period” means (i) in relation to any Interest Payment Dates, the period which falls between five and three Business Days (inclusive) preceding any relevant Interest Payment Date; (ii) in relation to the Maturity Date, the period which falls between five and three Business Days (inclusive) preceding the Maturity Date, as adjusted in accordance with the Business Day Convention as specified in the Pricing Supplement; and (iii) in relation to any Early Redemption

Date, as adjusted in accordance with the Business Day Convention as specified in the Pricing Supplement, the period which falls between five and three Business Days (inclusive) preceding any Early Redemption Date, as the case may be;

“Currency Disruption Event” means each of the following events, as determined by the Calculation Agent in its sole discretion acting in good faith and in a commercially reasonable manner:

- (a) the imposition of laws or regulations by the Central Banking Authority or other legislative, governmental or regulatory authority of, in the case of Turkish lira, the Republic of Turkey, or in the case of South African rand, the Republic of South Africa, which (i) require non-residents of the Republic of Turkey, or the Republic of South Africa, as the case may be, to obtain permission from such Central Banking Authority or other authority to obtain Turkish lira or South African rand, as the case may be, or (ii) otherwise restrict a non-resident’s ability to obtain Turkish lira or South African rand, as the case may be, or (iii) otherwise regulate the purchase or holding of Turkish lira or South African rand, such that costs are imposed in obtaining Turkish lira or South African rand, as the case may be, which would not be imposed in the absence of such regulations, or (iv) has the direct or indirect effect of hindering, limiting or restricting the transfer of Turkish lira or South African rand, as the case may be, from the Republic of Turkey or the Republic of South Africa, as the case may be, to recipients resident in another country; and
- (b) Euroclear and/or Clearstream, Luxembourg suspend or cease acceptance of Turkish lira or South African rand, as the case may be, as a settlement currency.

“Deferred Early Redemption Date” means the tenth Business Day following the Early Redemption Date (if any);

“Deferred Interest Payment Date” means the tenth Business Day following the originally scheduled Interest Payment Date;

“Deferred Maturity Date” means the tenth Business Day following the originally scheduled Maturity Date;

“Exchange Rate” means the average of such firm quotes (expressed, in the case of payments in Turkish lira, TRY per 1 JPY, or in the case of payments in South African rand, ZAR per 1 JPY) as the Calculation Agent is able to obtain from the Reference Dealers at or about 10.00 a.m. Tokyo time for the sale of Turkish lira or South African rand, as the case may be, and the purchase of JPY, on the day falling two Business Days prior to the Deferred Interest Payment Date, Deferred Early Redemption Date (if any) or the Deferred Maturity Date (as the case may be). The highest and lowest of such quotes will be disregarded and the arithmetic mean of the remaining quotations shall be the Exchange Rate, provided, however, that if fewer than four (but at least two) Reference Dealers provide such a firm quote then the average of the quotes actually obtained shall apply. If only one Reference Dealer provides a firm quote, then such quote shall apply, and if no Reference Dealer provides such a firm quote, then the Calculation Agent, acting in good faith and in a commercially reasonable manner, shall establish the Exchange Rate in its sole discretion, which may result in an exchange rate of zero;

“Reference Dealers” means five leading dealers, banks or banking corporations, which deal in the TRY/JPY exchange market in the case of Turkish lira or ZAR/JPY exchange market in the case of South African rand, selected by the Calculation Agent in its sole discretion, acting in good faith and in a commercially reasonable manner;

“Relevant TRY Amount” means the TRY amount per Calculation Amount which would have been payable on the relevant date if the Currency Disruption Event had not occurred; and

“Relevant ZAR Amount” means the ZAR amount per Calculation Amount which would have been payable on the relevant date if the Currency Disruption Event had not occurred.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent shall (in the absence of manifest error) be final and binding on all parties (including, but not limited to, the Issuer and the Noteholders) and shall be made in its sole discretion in good faith and in a commercially reasonable manner.

## **9 Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Japan or any authority therein or thereof having power to tax (“Taxes”), unless such withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts (“Additional Amounts”) of such Taxes as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) to, or to a third party on behalf of, a holder or a beneficial owner who is an individual non-resident of Japan or a non-Japanese corporation and who is liable to such Taxes in respect of such Note, Receipt or Coupon by reason of its (a) having some connection with Japan other than the mere holding of the Note, Receipt or Coupon or (b) being a person having a special relationship with the Issuer as described in Article 6, Paragraph 4 of the Special Taxation Measures Act (a “specially-related person of the Issuer”), or
- (b) to, or to a third party on behalf of, a holder or a beneficial owner who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Exemption Information (as defined below) or to submit a Claim for Exemption (as defined below) to the Paying Agent to whom the relevant Note (or the Certificate representing it) or Coupon is presented (where presentation is required), or whose Exemption Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organisation to such Paying Agent or
- (c) to, or to a third party on behalf of, a holder or a beneficial owner who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial

Institution (as defined below) who complies with the requirement to provide Exemption Information or to submit a Claim for Exemption and (B) an individual resident of Japan or a Japanese corporation who duly notifies (directly or through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Issuer by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant Note through a payment handling agent in Japan appointed by it) or

- (d) presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth such day or
- (e) where the amount of interest on such Note is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order under Article 6, Paragraph 4 of the Special Taxation Measures Act) relating to the Issuer or a specially-related person of the Issuer (such Note, a “Taxable Linked Note”), except where the recipient of interest is a Designated Financial Institution who complies with the requirement to provide Exemption Information or to submit a Claim for Exemption.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes, the Receipts, the Coupons and the Talons by or on behalf of the Issuer, will be paid net of any deduction or withholding 1) imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”) or 2) imposed as a result of the application of the provisions of Section 871(m) of the Code or any U.S. Treasury Regulations or other administrative guidance published thereunder, or any successor or substitute legislation or provision of law (“**871(m) Withholding**”). In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the Notes, the Issuer shall be entitled to withhold on any “dividend equivalent” (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law. Neither the Issuer nor any other person shall be obliged to pay any additional amounts in respect of FATCA Withholding or 871(m) Withholding.

Where a Note, Receipt or Coupon is held through a certain participant of an international clearing organisation or a certain financial intermediary (each, a “Participant”), in order to receive payments free of withholding or deduction by the Issuer for, or on account of Taxes, if the relevant beneficial owner is (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Issuer) or (B) a Japanese financial institution falling under certain categories prescribed by the Special Taxation Measures Act and the Cabinet Order thereunder, as amended (together with the ministerial ordinance and other regulations thereunder, the “Law”) (each, a “Designated Financial Institution”), all in accordance with the Law, such beneficial owner shall, at the time of entrusting a Participant with the custody of the relevant Note, provide certain information prescribed by the Law to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted (the “Exemption Information”) and advise the Participant if the beneficial owner ceases to be so exempted (including the case where the beneficial owner who is an individual non-resident of Japan or a non-Japanese corporation became a specially-related person of the Issuer).

Where a Note, Receipt or Coupon is not held by a Participant, in order to receive payments free of withholding or deduction by the Issuer for, or on account of, Taxes, if the relevant beneficial owner is (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Issuer) or (B) a Designated Financial Institution, all in accordance with the Law, such beneficial owner shall, prior to each time on which it receives interest, submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a “Claim for Exemption”) in the form obtainable from the Paying Agent stating, inter alia, the name and address of the beneficial owner, the title of the Notes, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Claim for Exemption, together with documentary evidence regarding its identity and residence.

As used in these Conditions, “Relevant Date” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any Additional Amounts that may be payable under this Condition.

## **10 Prescription**

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **11 Events of Default**

### *11(a) Events of Default in respect of Senior Notes*

The provisions of this Condition 11(a) apply to Senior Notes only unless otherwise specified in the relevant Pricing Supplement.

If any of the following events (“Events of Default”) occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

- (i) default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes or
- (ii) the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder or
- (iii) any bonds, debentures, notes or other indebtedness for money borrowed (hereinafter individually and collectively called “Indebtedness”) of the Issuer having an aggregate outstanding nominal amount of at least U.S.\$5,000,000 (or its equivalent in any other currency or currencies), become or becomes prematurely repayable following a default which shall not have been remedied, or steps are taken to enforce any security therefor, or the Issuer defaults in the repayment of any such Indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor or any guarantee of or indemnity in respect of any Indebtedness of others given by the Issuer and having an aggregate outstanding nominal amount of at least U.S.\$5,000,000 (or its equivalent as aforesaid (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)) shall not be honoured when due and called upon or
- (iv) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days or
- (v) a final and non-appealable order of a court of competent jurisdiction shall be made or an effective resolution of the Issuer shall be passed for the winding-up or dissolution of the Issuer except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the entire obligations of the Issuer under the Notes, the Receipts, the Coupons and the Talons or

- (vi) an encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy or insolvency of the Issuer, of all or substantially all of its assets and undertakings and such possession or appointment shall have continued undischarged and unstayed for a period of 90 days or
- (vii) the Issuer shall stop payment (within the meaning of the Bankruptcy Law) or (otherwise than for the purposes of such consolidation, amalgamation, merger or reconstruction as is referred to in paragraph (v) above) shall cease to carry on business or shall be unable to pay its debts generally as and when they fall due or
- (viii) a decree or order by any court having jurisdiction shall have been issued adjudging the Issuer bankrupt or insolvent, or approving a petition seeking with respect to the Issuer reorganisation, under bankruptcy, composition, reorganisation or insolvency laws of Japan and such decree or order shall have continued undischarged and unstayed for a period of 90 days or
- (ix) the Issuer shall initiate or consent to proceedings relating to itself under bankruptcy, composition, organisation or insolvency laws of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, its creditors generally.

*11(b) Limited Rights of Acceleration in respect of Subordinated Notes*

The provisions of this Condition 11(b) apply to Subordinated Notes only.

If a Subordination Event shall occur and be continuing, then in every such case the holders of not less than 25% in principal amount of the outstanding Subordinated Notes may declare the principal amount (or, if the Subordinated Notes are Zero Coupon Notes, the Amortised Face Amount as calculated pursuant to Condition 6(b)(i) above) of and all accrued but unpaid interest on the Subordinated Notes to be due and payable immediately, by a notice in writing to the Issuer (and to the Fiscal Agent), and upon any such declaration such principal amount (or specified amount) and interest shall become immediately due and payable at the Early Redemption Amount, together with accrued interest (if any).

If a court of competent jurisdiction shall, prior to the receipt by the Issuer of the notice from the holders referred to in the immediately preceding paragraph, rescind a declaration of bankruptcy without a distribution of assets pursuant to the Bankruptcy Law or shall rescind or terminate a reorganisation or rehabilitation without approving the plan of reorganisation or rehabilitation pursuant to the Reorganisation Law or the Rehabilitation Law, as applicable, or shall rescind a judgement or order, then such event shall be treated as if it had not occurred.

*Neither these Terms and Conditions nor the Agency Agreement contain any provision whereby the repayment of any Subordinated Notes will be accelerated upon a default in the payment of principal of or interest on the Subordinated Notes or on the non-performance of any covenant of the Issuer in relation to the Subordinated Notes or upon the happening of any other event in relation to the Subordinated Notes other than a Subordination Event.*

## **12 Meeting of Noteholders and Modifications**

*12(a) Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes 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 Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of

Interest, Instalment Amount or Final Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders 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 Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

#### *12(b) Modification of Agency Agreement*

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

#### *12(c) Modification of Conditions*

The Issuer may, without the consent of the Noteholders or Couponholders, modify any of the terms set out in the Conditions to correct a manifest error that is in the opinion of the Issuer not materially prejudicial to the interests of the Noteholders or Couponholders. Any such modification shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders as soon as practicable.

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

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### **14 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

### **15 Notices**

Notices to the holders of Registered Notes shall 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 the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given

on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

## **16 Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

## **17 Contracts (Rights of Third Parties) Act 1999**

The Notes confer no rights under the Contracts (Rights of Third Parties) Act 1999.

## **18 Governing Law and Jurisdiction**

### *18(a) Governing Law*

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

### *18(b) Jurisdiction*

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("Proceedings") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings 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).

### *18(c) Service of Process*

The Issuer irrevocably appoints Daiwa Capital Markets Europe Limited of 5 King William Street, London EC4N 7AX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.



## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Pricing Supplement to be issued in NGN form or to be held under the NSS (as the case may be), (i) the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and (ii) the relevant clearing systems will be notified whether or not such Global Notes or the Global Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “Common Depository”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such clearing system (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the relevant Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### Exchange

#### 1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and

- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

In relation to any issue of Notes which are represented by a temporary Global Note which is expressed to be exchangeable for Definitive Notes at the option of Noteholders, such Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and multiples thereof.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

## **2 Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

- (i) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes
- (ii) otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

## **3 Permanent Global Certificates**

If the Pricing Supplement states that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) 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 Notes is not paid when due or
- (iii) with the consent of the relevant Issuer

provided that, in the case of the first transfer of part of a holding pursuant to 3(i) or 3(ii) above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

#### **4 Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes if principal in respect of any Notes is not paid when due.

#### **5 Delivery of Notes**

If the Global Note is a CGN or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or if the Global Note is a NGN, the relevant Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system. In this Offering Circular, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

#### **6 Exchange Date**

“Exchange Date” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

#### **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

##### **1 Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is an NGN or if the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under an NGN will be made to its holder. Each payment so made will discharge the relevant Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any

payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 8(h).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

## **2 Prescription**

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

## **3 Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder’s holding, whether or not represented by a Global Certificate.)

## **4 Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

## **5 Purchase**

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

## **6 Issuer’s Option**

Any option of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented to a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the certificate numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be), to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion.

## **7 Noteholders’ Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is an NGN or where the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

## **8 NGN nominal amount**

Where the Global Note is a NGN, the relevant Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

## **9 Events of Default**

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 11 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the relevant Issuer under the terms of a Deed of Covenant executed as a deed by the relevant Issuer on 29 September 2016 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

## **10 Equity Linked Notes**

So long as any Equity Linked Notes are represented by a Global Note or Certificate, such Global Note or Certificate is held on behalf of Euroclear and Clearstream, Luxembourg and there is to be physical settlement of such Notes, the Global Note or Certificate varies certain of the requirements of the Share Transfer Notice (as defined in Condition 6(a)(iii)(4)) relating to the method of delivery, its content and the verification of Noteholders, as well as the definition of Share Business Day in Condition 7.

## **11 Credit Linked Notes**

So long as any Credit Linked Notes are represented by a Global Note or Certificate, such Global Note or Certificate is held on behalf of Euroclear and Clearstream, Luxembourg and there is to be physical settlement of such Notes, the Global Note or Certificate varies certain of the requirements of the Asset Transfer Notice (as defined in Condition 6(a)(v)(15)) relating to the method of delivery, its content and the verification of Noteholders.

## **12 Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

## **13 Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the relevant Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## **14 Electronic Consent and Written Resolution**

While any Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, then:

- (a) approval of a resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules

and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an “Electronic Consent” as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons whether or not they participated in such Electronic Consent; and

- (b) where Electronic Consent is not being sought, for the purpose of determining whether a resolution in writing has been validly passed for the purposes of Condition 12, the relevant Issuer shall be entitled to rely on consent or instructions given in writing directly to the relevant Issuer by accountholders in the clearing system with entitlements to such Global Note or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “commercially reasonable evidence” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The relevant Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used by each Issuer for its general corporate purposes.

## DAIWA SECURITIES GROUP INC.

### Overview

DSGI was incorporated as Daiwa Securities Co. Ltd., (“Former DSCL”, an entity different from DSCL) on 27 December 1943 by a merger between two securities firms, Fujimoto Securities and Japan Trust Bank and established its headquarters in Tokyo. In 1949, Former DSCL became a member of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”), the Osaka Exchange, Inc. and the Nagoya Stock Exchange, Inc. (the “Nagoya Stock Exchange”) when they resumed their operations following the end of the Second World War.

When Japan entered a period of economic growth beginning in the mid-1950s, Former DSCL emerged as a major participant in the Japanese securities markets. The 1950s and 1960s marked the beginning of its overseas expansion, with the establishment of an office in New York in 1959 (that became Daiwa Capital Markets America Inc. in 2010), and another in London shortly thereafter (that became Daiwa Capital Markets Europe Limited). By the late 1960s, Former DSCL had become a leading underwriter in the area of Japanese stock offerings in the overseas market following deregulation by the Japanese Government. Former DSCL has also played a major role in the domestic market, acting as a lead manager for bond transactions by foreign issuers since the 1970s. In 1982, Former DSCL established Daiwa Securities Research Institute Co., Ltd. (currently Daiwa Institute of Research Holdings Ltd.) to support its securities businesses and develop financial products and services. In 1992, Former DSCL introduced money management funds in Japan. In 1999, it formed a strategic alliance with two asset management firms in the United States and formed a joint venture company with two other financial services firms to pursue opportunities in asset management.

In April 1999, Former DSCL changed its corporate name and structure to become a holding company, DSGI. DSGI transferred its retail securities operations to its consolidated subsidiary, DSCL. DSGI also transferred its wholesale securities operations to a joint venture company, Daiwa Securities SB Capital Markets Co. Ltd., established under a strategic alliance with The Sumitomo Bank, Limited. The joint venture company changed its corporate name to Daiwa Securities SMBC Co. Ltd. (“Daiwa Securities SMBC”) in 2001 following the merger of The Sumitomo Bank, Limited and The Sakura Bank, Limited to form Sumitomo Mitsui Banking Corporation. At that time, DSGI owned a 60 per cent. interest in Daiwa Securities SMBC, while 40 per cent. thereof was owned by Sumitomo Mitsui Financial Group, Inc. (“SMFG”), a holding company of Sumitomo Mitsui Banking Corporation established in 2002.

In September 2009, DSGI and SMFG agreed to dissolve the joint venture contract for Daiwa Securities SMBC, and the Group acquired all of Daiwa Securities SMBC shares held by SMFG in December 2009. Daiwa Securities SMBC changed its name to Daiwa Securities Capital Markets Co. Ltd. (“Daiwa Capital Markets”) in January 2010.

DSCL and Daiwa Capital Markets, both of which had been major subsidiaries of DSGI, entered into a merger agreement in February 2012, which became effective in April 2012. In addition to the merger between DSCL and Daiwa Capital Markets, as a part of the internal reorganisation of the Group, Daiwa Capital Markets transferred its shares in the capital of most of its overseas subsidiaries to a wholly owned subsidiary of DSGI in January 2012. As a result, all the shares of Daiwa Capital Markets Europe Limited, Daiwa Capital Markets Asia Holding B.V., Daiwa Capital Markets America Holdings Inc. and Daiwa Securities Capital Markets Korea Co., Ltd. were transferred to Daiwa International Holdings Inc., a wholly-owned subsidiary of DSGI, by early April 2012.

In December 2015, DSGI acquired additional shares of Mi-Casa Asset Management Inc., which made it a subsidiary of DSGI. In January 2016, DSGI made IDI infrastructures Inc. its subsidiary, which later became an affiliate.

In July 2017, DSGI acquired Sagent Holdings, Inc. and Signal Hill Holdings LLC, which became its subsidiaries. In March 2018, DSGI merged them into DCS Advisory Holdings, Inc.

In February 2018, DSGI established KDDI Asset Management Co., Ltd., as a joint venture company with KDDI CORPORATION. DSGI established Fintertech Co. Ltd in April 2018 and Daiwa Energy & Infrastructure Co. Ltd. in July 2018. In October 2018, DSGI’s subsidiaries Mi-Casa Asset Management Inc. and Daiwa Real Estate Asset Management Co. Ltd. merged, with the latter being the surviving entity.



In April 2019, Daiwa SB Investments Ltd., a subsidiary of DSGI, merged with Sumitomo Mitsui Asset Management Company, Limited and changed its name to Sumitomo Mitsui DS Asset Management Company, Limited.

Also, in April 2019, DSGI launched a new business entity, CONNECT Co. Ltd. and in September 2019, DSGI acquired additional equity of Samty Residential Investment Corporation which became a consolidated subsidiary.

DSGI and its subsidiaries and affiliates form the Group of which DSGI is the parent company.

DSGI is incorporated under Japanese law and its shares are listed on the First Section of the Tokyo Stock Exchange and the Nagoya Stock Exchange.

As at the date of this Offering Circular, DSGI's registered head office is located at 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6751, Japan.

### **Business Operation**

As at 31 March 2020, DSGI had 66 consolidated subsidiaries and 15 affiliates accounted for by the equity method. The Group predominantly operates in the investment and financial sector, focusing on securities businesses such as trading and brokerage of securities and derivatives, underwriting of securities, distribution of securities, private offering of securities and other businesses related to the securities, banking and financial business. The Group provides a wide range of services to its customers in relation to the raising and investing of funds through the global networks linking major financial markets in Japan, America, Europe and Asia.

### **Summary Financial Information**

The following table summarises selected consolidated financial data extracted without material adjustments from the audited consolidated financial statements of DSGI prepared in conformity with generally accepted accounting principles in Japan as at and for the years ended 31 March 2019 and 2020. For consolidated financial results for the three months ended 30 June 2020, prospective investors should refer to the English translation of the Japanese language published unaudited quarterly consolidated financial statements of DSGI, which is incorporated by reference in this Offering Circular.

	Years ended 31 March	
	2020	2019
	(¥ millions)	
<b>CONSOLIDATED STATEMENTS OF INCOME</b>		
Operating revenues:		
Commissions	¥266,574	¥283,027
Net gain on trading	93,803	92,218
Net gain (loss) on private equity and other investments	15	(232)
Interest and dividend income	258,123	291,005
Service fees and other revenues	53,773	54,568
Total operating revenues	672,288	720,586
Interest expense	209,917	242,469
Cost of service fees and other revenues	36,111	36,877
Net operating revenues	426,260	441,240
Selling, general and administrative expenses	371,971	373,914
Operating income	54,289	67,326
Other income (expenses):		
Provision for statutory reserves, net	20	7
Other, net	30,520	27,750
	30,540	27,757
Income before income taxes	84,829	95,083
Income taxes:		
Current	26,088	27,664
Deferred	(2,525)	3,587
	23,563	31,251
Profit attributable to non-controlling interests	919	18
Profit attributable to owners of parent	¥ 60,347	¥ 63,814

	Years ended 31 March	
	2020	2019
	(Yen)	
Per share amounts:		
Net income	¥39.11	¥39.95
Diluted net income	38.92	39.72
Cash dividends applicable to the year	20.00	21.00

### Consolidated Operating Results for the year ended 31 March 2019

#### Operating Revenues and Net Operating Revenues

Consolidated total operating revenues for the year ended 31 March 2020 amounted to ¥672.3 billion, a 6.7 per cent. decrease from the previous year. Income from commissions decreased by 5.8 per cent. from the previous year, to ¥266.6 billion. Net gains on trading increased by 1.7 per cent. from the previous year, to ¥93.8 billion. Net gain on private equity and other investments resulted in gain of ¥0.02 billion. Interest and dividend income amounted to ¥258.1 billion, decreased by 11.3 per cent. from the previous year. Service fees and other revenues decreased by 1.5 per cent. from the previous year, to ¥53.8 billion.

After deducting interest expense of ¥209.9 billion which decreased by 13.4 per cent. from the previous year and cost of service fees and other revenues of ¥36.1 billion which decreased by 2.1 per cent. from the previous year, net operating revenues amounted to ¥426.2 billion, decreased by 3.4 per cent. from the previous year.

## **Selling, General and Administrative Expenses**

Selling, general and administrative expenses decreased by 0.5 per cent. from the previous year, to ¥372 billion.

## **Profit Attributable to Owners of Parent**

For the year ended 31 March 2020, DSGI posted ¥30.5 billion as other income, and reported a consolidated profit attributable to owners of parent of ¥60.3 billion.

## **Performance in Each Business Segment**

	Years ended 31 March	
	2020	2019
	(¥ millions)	
<b>Net Operating Revenues</b>		
Retail	¥166,431	¥185,865
Wholesale	172,290	158,903
Asset Management	48,092	48,233
Investment	2,503	1,766
Others	36,944	46,473
Total	<u>¥426,260</u>	<u>¥441,240</u>

### ***Retail***

Net operating revenue from the Retail segment decreased by 10.5 per cent. from the previous year, to ¥166.4 billion, due to a decrease in fees from sales of investment trusts.

### ***Wholesale***

Net operating revenue from the Wholesale segment increased by 8.4 per cent. from the previous year, to ¥172.3 billion, due to strong financial market sector, mainly in the US, and an increase in investment banking income such as bond underwriting and M&A cross-border projects.

### ***Asset Management***

Net operating revenue from the Asset Management segment decreased by 0.3 per cent. from the previous year, to ¥48.1 billion, due to a decrease in assets under management of publicly offered stock investment trusts due to a deterioration of the market environment.

### ***Investment***

Net operating revenue from the Investment segment increased by 41.7 per cent. from the previous year, to ¥2.5 billion, due to earnings from gains on the sale of equity investees were secured.

### ***Others***

In addition to the above four reportable segments, others include businesses such as integration and management of subsidiaries, banking, information technology, back-office and real-estate rental businesses as well as consolidation adjustments.

## Capitalisation and Indebtedness

The consolidated capitalisation and indebtedness of DSGI as at 31 March 2020, based on information extracted without material adjustments from DSGI's audited consolidated financial statements as at 31 March 2020 prepared in conformity with generally accepted accounting principles in Japan, is as follows:

	As at 31 March 2020 (¥ millions)
Short-term debt:	
Short-term borrowings	¥990,869
Commercial paper	178,000
Total short-term debt	<u>¥1,168,869</u>
Long-term debt:	
1.25 per cent. Unsecured Japanese yen bonds due 2020	30,000
0.69 per cent. Unsecured Japanese yen bonds due 2021	30,000
0.87 per cent. Unsecured Japanese yen bonds due 2024	12,000
0.89 per cent. Unsecured Japanese yen bonds due 2025	20,000
0.40 per cent. Unsecured Japanese yen bonds due 2020	20,000
0.40 per cent. Unsecured Japanese yen bonds due 2020	45,000
0.91 per cent. Unsecured Japanese yen bonds due 2025	25,000
0.67 per cent. Unsecured Japanese yen bonds due 2022	30,000
0.40 per cent. Unsecured Japanese yen bonds due 2023	13,000
0.56 per cent. Unsecured Japanese yen bonds due 2026	11,000
0.40 per cent. Unsecured Japanese yen bonds due 2023	50,000
0.40 per cent. Unsecured Japanese yen bonds due 2026	30,000
0.35 per cent. Unsecured Japanese yen bonds due 2023	22,000
0.22 per cent. Unsecured Japanese yen bonds due 2022	25,000
0.41 per cent. Unsecured Japanese yen bonds due 2027	15,000
0.23 per cent. Unsecured Japanese yen bonds due 2023	10,000
0.48 per cent. Unsecured Japanese yen bonds due 2028	12,000
0.27 per cent. Unsecured Japanese yen bonds due 2022	20,000
0.30 per cent. Unsecured Japanese yen bonds due 2026	30,000
0.22 per cent. Unsecured Japanese yen bonds due 2022	30,000
0.30 per cent. Unsecured Japanese yen bonds due 2027	20,000
0.24 per cent. Unsecured Japanese yen bonds due 2024	15,000
0.23 per cent. Unsecured Japanese yen bonds due 2024	20,000
0.24 per cent. Unsecured Japanese yen bonds due 2024	20,000
0.24 per cent. Unsecured Japanese yen bonds due 2025	20,000
0.24 per cent. Unsecured Japanese yen bonds due 2026	17,000
0.26 per cent. Unsecured Japanese yen bonds due 2026	10,000
2.66 per cent. Unsecured U.S. dollar bonds due 2020	27,208
2.33 per cent. Unsecured U.S. dollar bonds due 2021	16,325
3.13 per cent. Unsecured U.S. dollar bonds due 2022	108,830
1.20 per cent. Unsecured Japanese yen bonds	125,000
1.39 per cent. Unsecured Japanese yen bonds	25,000
1.72 per cent. Unsecured Japanese yen bonds due 2020	18,400
2.16 per cent. Unsecured Japanese yen bonds due 2025	7,800
2.41 per cent. Unsecured Japanese yen bonds due 2026	3,000
2.24 per cent. Unsecured Japanese yen bonds due 2026	5,000
0.09 per cent. Unsecured Japanese yen bonds due 2038	2,000
0.77 per cent. Unsecured Japanese yen bonds due 2020	1,000
1.05 per cent. Unsecured Japanese yen bonds due 2023	1,000
Euro medium-term notes issued by DSGI and a domestic consolidated subsidiary:	
maturing through 2049	558,617
Subordinated bonds payable in yen: maturing through 2021	155,900
Long-term borrowings principally from banks in yen, maturing through 2049	1,469,352
Lease obligation	1,876
Others	17,978
<b>Total long-term debt</b>	<u><u>¥3,146,286</u></u>

As at  
31 March 2020  
(¥ millions)

Net Assets	
Owner's equity:	
Common stock, no par value:	
Authorised – 4,000,000 thousand shares	
Issued – 1,699,379 thousand shares as of 31 March 2020 <sup>(1)</sup>	¥247,397
Capital surplus	230,809
Retained earnings	834,443
Treasury stock at cost <sup>(2)</sup>	(110,351)
Deposit for subscriptions to treasury stock	13
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities	26,853
Deferred gains or losses on hedges	(13,593)
Translation adjustment	(5,556)
Stock subscription rights	8,902
Non-controlling interests	38,850
Total net assets	<u>¥1,257,767</u>
Total capitalisation and indebtedness	<u>¥5,554,944</u>

Notes:

- (1) All the issued shares are fully paid up.
- (2) At 31 March 2020, DSGI held 179,915,970 shares as treasury stock.
- (3) At 31 March 2020, DSGI and its consolidated subsidiaries had contingent liabilities amounting to ¥12,160 million, mainly relating to the giving of guarantees.
- (4) DSGI approved cash dividends of ¥13,675 million (¥9 per share) to its shareholders of record as at 31 March 2020. As DSGI also approved interim dividends of ¥17,068 million (¥11 per share) to its shareholders of record as at 30 September 2019, the total amount of dividends approved for the year ended 31 March 2020 was ¥30,743 million (¥20 per share).
- (5) As at 31 March 2020, DSGI and its consolidated subsidiaries had ¥1,168,869 million short-term debt, of which ¥279,439 million was secured.
- (6) There has been no material change in the consolidated capitalisation, indebtedness, contingent liabilities and guarantees of DSGI on a consolidated basis since 31 March 2020.

## Directors and Management

### *Directors (Members of the Board)*

The Directors (Members of the Board) of DSGI are as follows:

Name	Position	Other major directorships
Takashi Hibino	Chairman of the Board	Chairman of Daiwa Securities Co. Ltd. Outside Director of Imperial Hotel, Ltd.
Seiji Nakata	Member of the Board	President of Daiwa Securities Co. Ltd.
Toshihiro Matsui	Member of the Board	Deputy President of Daiwa Securities Co. Ltd.
Keiko Tashiro	Member of the Board	Deputy President of Daiwa Securities Co. Ltd.
Akihiko Ogino	Member of the Board	Senior Executive Managing Director of Daiwa Securities Co. Ltd.
Sachiko Hanaoka	Member of the Board	
Hiromasa Kawashima	Member of the Board	
Michiaki Ogasawara <sup>(1)</sup>	Member of the Board	
Hiroataka Takeuchi <sup>(1)</sup>	Member of the Board	
Ikuo Nishikawa <sup>(1)</sup>	Member of the Board	
Eriko Kawai <sup>(1)</sup>	Member of the Board	
Katsuyuki Nishikawa <sup>(1)</sup>	Member of the Board	
Toshio Iwamoto <sup>(1)</sup>	Member of the Board	

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Note:

(1) Outside Director

All of the above Directors, except Michiaki Ogasawara, Hirotaka Takeuchi, Ikuo Nishikawa Eriko Kawai, Katsuyuki Nishikawa and Toshio Iwamoto, who are the Outside Directors under the Companies Act of Japan (Act No. 86 of 2005, as amended), are engaged in the business of DSGI on a fulltime basis. All of the Outside Directors fulfill the requirements for independent directors as defined by the Securities Listing Regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange. The business address of the Directors of DSGI is 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6751, Japan.

***The Committee System (currently, a company with “Three Committees System”)***

DSGI has operated a committee system since June 2004. Under the committee system, DSGI strengthens the supervisory function of the Board of Directors and enhances transparency of management by increasing the number of Outside Directors and establishing three committees; the Nominating, Audit, and Compensation Committees. In addition, the Board of Directors of DSGI confers certain authority to its Corporate Executive Officers, to promote efficiency in decision-making process.

The members of each committee are as follows:

<u>Nominating Committee Members</u>	<u>Position</u>
Michiaki Ogasawara	Chairman
Takashi Hibino	Member
Seiji Nakata	Member
Hirotaka Takeuchi	Member
Eriko Kawai	Member
Katsuyuki Nishikawa	Member
Toshio Iwamoto	Member
<u>Audit Committee Members</u>	<u>Position</u>
Ikuo Nishikawa	Chairman
Sachiko Hanaoka	Member
Hiromasa Kawashima	Member
Michiaki Ogasawara	Member
Eriko Kawai	Member
Katsuyuki Nishikawa	Member
<u>Compensation Committee Members</u>	<u>Position</u>
Hirotaka Takeuchi	Chairman
Takashi Hibino	Member
Seiji Nakata	Member
Ikuo Nishikawa	Member
Toshio Iwamoto	Member

***Corporate Executive Officers***

The Corporate Executive Officers of DSGI are as follows:

<u>Name</u>	<u>Position as the Corporate Executive Officer</u>
Seiji Nakata	President and CEO (Representative)
Toshihiro Matsui	Deputy President and COO (Representative)
Keiko Tashiro	Deputy President
Kazuo Takahashi	Deputy President
Mikita Komatsu	Deputy President
Koichi Matsushita	Deputy President
Masahisa Nakagawa	Deputy President
Akihiko Ogino	Senior Executive Managing Director
Shinsuke Niizuma	Senior Executive Managing Director
Atsushi Mochizuki	Senior Executive Managing Director
Junichi Arihara	Executive Managing Director, CRO and CDO
Yoshifumi Otsuka	Executive Managing Director

Name	Position as the Corporate Executive Officer
Kana Shirakawa	Executive Managing Director and CHO
Tomoyuki Murase	Executive Managing Director and CIO
Eiji Sato	Executive Managing Director and CFO
Takashi Hibino	Senior Managing Director

## **DAIWA SECURITIES CO. LTD.**

### **Overview**

#### ***History***

DSCL was incorporated in August 1992 under Japanese law as a joint stock company (Kabushiki Kaisha) for an unlimited duration. In April 1999, DSGI transferred its retail securities operations to DSCL and its wholesale securities operations to Daiwa Capital Markets. At the time of these transfers, DSGI began to operate as a holding company and DSCL focused its operations on its retail business.

#### ***Merger with Daiwa Capital Markets***

To consolidate the expertise of the retail and wholesale divisions, DSCL and Daiwa Capital Markets merged in 2012. As a result of the merger, DSCL became the surviving entity into which Daiwa Capital Markets was absorbed and dissolved.

#### ***Business Operation***

DSCL provides retail and wholesale securities services. Regarding retail securities services, DSCL provides a variety of financial products to Japanese individual investors and unlisted companies through consulting services as well as online trading services. Regarding wholesale securities services, DSCL primarily engages in the brokerage, trading, underwriting and distribution of securities and related derivatives businesses in Japan and overseas.

#### ***Subsidiaries and Affiliates***

As of the date hereof, DSCL has no consolidated subsidiaries or affiliates accounted for by the equity method.

## Summary Financial Information

The following table summarises selected non-consolidated financial data extracted without material adjustments from the audited non-consolidated financial statements of DSCL prepared in conformity with generally accepted accounting principles in Japan as at and for the two years ended 31 March 2019 and 2020.

	Years ended 31 March	
	2020	2019
	(¥ millions)	
<b>NON-CONSOLIDATED STATEMENTS OF OPERATIONS</b>		
Operating revenues:		
Commissions	¥177,834	¥185,742
Net gain on trading	76,736	89,169
Interest and dividend income	44,083	57,464
Total operating revenues	298,653	332,375
Interest expense	28,780	39,546
Net operating revenues	269,873	292,829
Selling, general and administrative expenses	240,567	239,493
Operating income	29,306	53,336
Other income(expenses):		
Gain on sales of investment securities	164	3,485
Structural reform cost	(12,702)	—
Office transfer expenses	—	(575)
Provision for statutory reserves, net	20	7
Other	646	314
	(11,872)	3,231
Income before income taxes	17,434	56,567
Income taxes:		
Current	8,563	16,218
Deferred	(2,776)	2,051
	5,787	18,269
Net income	¥11,647	¥38,298
	(Yen)	
Per share amounts:		
Net income	¥14,374.46	¥47,269.49
Cash dividends applicable to the year	14,374	47,269

## Performance in Each Business Segment

	Years ended 31 March	
	2020	2019
	(¥ millions)	
<b>Net Operating Revenues</b>		
Retail Sales	¥161,715	¥182,361
Domestic wholesale	103,865	103,993
Others	4,293	6,475
Total	¥269,873	¥292,829



## Capitalisation and Indebtedness of DSCL

The capitalisation and indebtedness of DSCL as at 31 March 2020, based on information extracted without material adjustment from DSCL's audited non-consolidated financial statements as at 31 March 2020, was as follows:

	As at 31 March 2020 (¥ millions)
Loans:	
Short-term borrowings	¥1,044,758
Commercial paper	199,900
Unsecured Japanese yen bonds	36,200
Medium-term notes	703,328
Subordinated medium-term notes	5,900
Subordinated borrowings	50,000
Long-term borrowings	760,468
Total Loans:	<u>¥2,800,554</u>
Net Assets	
Common stock, no par value:	
Authorised—810,200 shares	
Issued—810,200 shares	¥100,000
Capital surplus	349,920
Retained earnings	293,461
Net unrealised gain on securities, net of tax effect	1,546
Total net assets	<u>¥744,927</u>
Total capitalization and indebtedness	<u>¥3,545,481</u>

There has been no material change in the capitalisation and indebtedness of DSCL since 31 March 2020.

## Directors and Audit & Supervisory Board Members

### *Directors (Members of the Board)*

The Directors (Members of the Board) of DSCL are as follows:

Name	Position	Other major directorships
Takashi Hibino	Chairman	Chairman of the Board of Daiwa Securities Group Inc.
Seiji Nakata*	President	Outside Director of Imperial Hotel, Ltd. President and CEO of Daiwa Securities Group Inc.
Toshihiro Matsui*	Deputy President	Deputy President and COO of Daiwa Securities Group Inc.
Kazuo Takahashi*	Deputy President	
Keiko Tashiro*	Deputy President	Deputy President of Daiwa Securities Group Inc.
Mikita Komatsu*	Deputy President	
Koichi Maruo	Senior Executive Managing Director	
Yuichi Akai	Senior Executive Managing Director	
Masahiro Kobayashi	Senior Executive Managing Director	
Yoshinori Matsumoto	Senior Executive Managing Director	
Naoto Shimomura	Senior Executive Managing Director	
Shinsuke Niizuma	Senior Executive Managing Director	
Akihiko Ogino	Senior Executive Managing Director	Senior Executive Managing Director of Daiwa Securities Group Inc.
Yasushi Iwasaki	Senior Executive Managing Director	
Atsushi Mochizuki*	Senior Executive Managing Director	
Masataka Tsujimoto	Executive Managing Director	
Hiroshi Hara	Executive Managing Director	
Yoshihisa Kaneko	Executive Managing Director	
Junichi Arihara	Executive Managing Director	
Yoshifumi Otsuka	Executive Managing Director	
Tomoo Fujioka	Executive Managing Director	
Kana Shirakawa	Executive Managing Director	
Mitsuru Fujita	Executive Managing Director	
Tomoyuki Murase	Executive Managing Director	
Sungho Kang	Executive Managing Director	

\* Representative Director

### *Audit & Supervisory Board Members*

The Audit & Supervisory Board Members of DSCL are as follows:

Name	Position
Sumiyuki Akaiwa	Audit & Supervisory Board Member (Full Time)
Sachiko Hanaoka	Audit & Supervisory Board Member (Part Time)
Hiromasa Kawashima	Audit & Supervisory Board Member (Part Time)
Hiroshi Obayashi	Audit & Supervisory Board Member (Part Time)

## TAXATION

### Japan

*The following information is provided for the convenience only of investors, who are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. Investors should note that, although certain general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive. In particular, the Japanese tax treatment with respect to certain types of Notes, including but not limited to Equity Linked Notes and Index Linked Notes, is not clear and the Japanese tax treatment of certain types of Notes may be different from the information described below. Further, except as explicitly stated otherwise the statements below are based on current tax laws and regulations in Japan and current tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The following should not be regarded as advice on the tax position of any beneficial owner of the Notes or any person purchasing, selling or otherwise dealing in the Notes or any tax implication arising from the purchase, sale or other dealings in respect of the Notes.*

#### **Restriction by Investor upon Initial Distribution**

Among other restrictions, the Notes are not, as part of the initial distribution by the Dealers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the relevant Issuer of the Notes as described in Article 6, Paragraph 4 of the Special Taxation Measures Act,

(ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order relating to the Special Taxation Measures Act that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation who will receive interest payments on the Notes through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order.

#### **Capital Gains, Inheritance and Gift, Stamp Tax and Other Similar Taxes**

Gains derived from sales of Notes by an individual non-resident of Japan or non-Japanese corporation not having a permanent establishment in Japan are, in general, not subject to Japanese income tax or corporate tax. No stamp, issue, registration or similar taxes or duties will, under present Japanese law, be payable in Japan by the Noteholders in connection with the issue of the Notes, nor will such taxes be payable by the Noteholders in connection with their transfer of the Notes if such transfer takes place outside of Japan. Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired Notes as legatee, heir or donee, from an individual.

#### **Interest and Redemption Premium on interest-bearing Notes**

*The following description of Japanese taxation (limited to national taxes) applies exclusively to interest and the excess amount of the redemption price over the issue price with respect to the interest-bearing Notes (the "Redemption Premium"), where such Notes are issued outside Japan and payable outside Japan. It does not address the tax treatment of the original issue discount of Notes that falls under "discounted bonds" as prescribed by the Special Taxation Measures Act. It is not intended to be exhaustive and Noteholders and/or Couponholders and prospective investors are recommended to consult their own tax advisers as to their exact tax position.*

### **1 Non-resident Investors**

If the recipient of interest on the Notes or of the Redemption Premium with respect to interest-bearing Notes is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences on such individual non-resident of Japan or non-Japanese corporation are significantly different depending on whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the Issuer or whether such Notes are Taxable Linked Notes (as defined below). Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the Issuer or if such Notes are Taxable Linked Notes (as defined below), income tax at the rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest will be withheld by the Issuer under Japanese tax law.

## 1.1 Notes other than Taxable Linked Notes

This paragraph 1.1 applies only to the Notes which are not Taxable Linked Notes.

### 1.1.1 Interest

- (a) If the recipient of interest on the Notes is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment of such individual non-resident of Japan or non-Japanese corporation within Japan but where the receipt of the interest on the Notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:
- (I) if the relevant Notes or Coupons are held through a certain participant in an international clearing organisation such as Euroclear and Clearstream, Luxembourg or a certain financial intermediary prescribed by the Law (each, a “Participant”), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Notes, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the “Exemption Information”), and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the Issuer).
- (II) if the relevant Notes or Coupons are not held by a Participant, the requirement to submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (the “Claim for Exemption”), together with certain documentary evidence.

Failure to comply with such requirements described above (including the case where the Exemption Information is not duly communicated as required under the Law) will result in the withholding by the Issuer of income tax at the rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest.

- (b) If the recipient of interest on the Notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315 per cent. (from 1 January 2038, 15 per cent.) withholding tax by the Issuer, if the recipient provides the Exemption Information or submits the Claim for Exemption as set out in paragraph 1.1.1(a) above. Failure to do so will result in the withholding by the Issuer of income tax at the rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest. The amount of such interest will be aggregated with the recipient’s other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.
- (c) Notwithstanding paragraphs 1.1.1(a) and (b) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the Issuer as of the beginning of the fiscal year of the Issuer in which the relevant Interest Payment Date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest will be withheld by the Issuer. In that case, if such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, will apply to such interest under Japanese tax law.
- (d) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the Issuer) is subject to Japanese withholding tax with respect to interest on the Notes under Japanese tax law, a reduced rate of withholding tax or exemption therefrom may be available under the relevant tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this document, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10 per cent., with, *inter alia*, Australia, Belgium, Canada, Finland, France, Hong Kong, Ireland, Italy, Kuwait, Luxembourg, the Netherlands, New Zealand, Norway,

Portugal, Singapore, Spain and Switzerland. Under the income tax treaties with Australia, Austria, Belgium, Denmark, France, Germany, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom and the United States of America, certain exemptions of Japanese withholding tax for interest on the Notes may, subject to compliance with procedural requirements under Japanese law as mentioned below, be available in general or to certain categories of persons and/or with respect to certain categories of Notes. In order to avail themselves of such reduced rate of, or exemption from, Japanese withholding tax under any applicable tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled under the applicable tax treaty to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by the Issuer are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax on Interest (as well as any other required forms and documents) in advance through the Issuer to the relevant tax authority before payment of interest.

- (e) Under the Law, (i) if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the Notes becomes a specially-related person of the Issuer, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the Issuer becomes a beneficial owner of the Notes, and (ii) if such Notes are held through a Participant, such individual non-resident of Japan or non-Japanese corporation is obligated to notify the Participant of such change in status by the immediately following Interest Payment Date of the Notes. As described in paragraph 1.1.1(c) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of the Issuer for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the Issuer in which the relevant Interest Payment Date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific Interest Payment Date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the Issuer.

### 1.1.2 Redemption Premium

With respect to Redemption Premium, the following is applicable.

- (a) If the recipient of any Redemption Premium is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but the receipt of such Redemption Premium is not attributable to such permanent establishment, no income tax or corporate tax is payable with respect to such Redemption Premium.
- (b) If the recipient of the Redemption Premium with respect to the interest-bearing Notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Premium is attributable to such permanent establishment, such Redemption Premium will not be subject to any withholding tax but will be aggregated with the recipient's other Japanese source income which is subject to Japanese taxation and subject to regular income tax or corporate tax, as appropriate.
- (c) Notwithstanding paragraphs 1.1.2(a) and (b) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the Issuer as of the beginning of the fiscal year of the Issuer in which such individual non-resident of Japan or non-Japanese corporation acquired such Notes, the Redemption Premium will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided, however, that exemption may be available under the relevant income tax treaty.

## 1.2 Taxable Linked Notes

“Taxable Linked Notes” means the Notes of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order under Article 6, Paragraph 4 of the Special Taxation Measures Act) relating to the Issuer or a specially-related person of the Issuer. Such indexes include the amount

of profits or gross revenues relating to the business of, the fair market value of assets owned by, or the amount of dividends or other distributions paid by, the Issuer or a specially-related person of the Issuer. If the Notes are Taxable Linked Notes:

- (i) the exemption from Japanese withholding tax on interest mentioned in paragraphs 1.1.1(a) and (b) above will not apply to an individual non-resident of Japan or a non-Japanese corporation (even if it is not a specially-related person of the Issuer), and income tax at the rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest will be withheld by the Issuer. A reduced rate of withholding tax or exemption from withholding tax may be available under the relevant tax treaty, as described in paragraph 1.1.1(d) above. If an individual non-resident of Japan or a non-Japanese corporation has a permanent establishment within Japan, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, will apply to such interest under Japanese tax law; and
- (ii) the Redemption Premium will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether an individual non-resident of Japan or a non-Japanese corporation has a permanent establishment within Japan; provided, however, that exemption may be available under the relevant income tax treaty.

## **2 Resident Investors**

If the recipient of interest on the Notes is an individual resident of Japan or a Japanese corporation (except for (i) a financial institution designed by the Cabinet Order which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (ii) a Public Corporation (as defined below), a Specified Financial Institution (as defined below) which receives the interest payments through the Japanese Custodian (as defined below) in compliance with the requirement for tax exemption under Article 3-3, Paragraph 6 of the Special Taxation Measures Act) will be subject to Japanese income tax at a rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest.

### **2.1 Interest**

**2.1.1** If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution (as defined below) or a Public Corporation (as defined below)) which complies with the requirement as referred to in paragraph 2.1.2 below) receives payments of interest on the Notes through certain Japanese payment handling agents as defined in Article 2-2 paragraph 2 of the Cabinet Order (each a “Japanese Payment Handling Agent”), income tax at the rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than the Issuer. Since the Issuer is not in a position to know in advance the recipient’s status, the recipient of interest falling within this category should inform the Issuer through a Paying Agent of its status in a timely manner. Failure to so inform may result in double withholding. Individual Noteholders or Couponholders being residents of Japan who receive interest under the Notes through a Japanese Payment Handling Agent will be taxed in Japan on such interest separately from his/her other income and only by way of withholding of the foregoing withholding tax, as far as national level income taxes are concerned. In the case of other recipients who are individual residents of Japan (other than those referred to in the immediately preceding sentence) or Japanese corporations referred to at the beginning of this paragraph, the amount of interest received by any such recipient will be included in such recipient’s other taxable income and subject to regular income tax or corporate tax, as appropriate.

**2.1.2** If the recipient of interest on the Notes is a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law (a “Public Corporation”) or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the relevant Cabinet Order under Article 3-3, Paragraph 6 of the Special Taxation Measures Act (each, a “Specified Financial Institution”) that keeps its Notes deposited with, and receives the interest through, a Japanese Payment Handling Agent with custody of the Notes (the “Japanese Custodian”) and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no income tax is levied, by way of withholding or otherwise, on the amount of interest on the Notes received

by such recipient through a Japanese Custodian, but if the recipient is a Specified Financial Institution, the recipient will be subject to regular corporate tax with respect to such interest. Additionally, if the recipient is a Japanese public-interest corporation designated by the relevant law and the interest is derived from the recipient's profit earning business designated by the relevant law, the recipient will be subject to regular corporate tax with respect to such interest. However, since the Issuer is not in a position to know in advance the recipient's withholding tax exemption status, the recipient of interest falling within this category should inform the Issuer through a Paying Agent of its status in a timely manner. Failure to so notify the Issuer may result in the withholding by the Issuer of 15.315 per cent. (from 1 January 2038, 15 per cent.) income tax. Any amount of interest received by such Public Corporation or Specified Financial Institution in excess of the non-taxable portion described above is subject to income tax of 15.315 per cent. (from 1 January 2038, 15 per cent.) of such excess amount to be withheld by the Japanese Custodian.

**2.1.3** If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution (as defined below) which complies with the requirements described in paragraph 2.1.4 below) receives interest on the Notes not through a Japanese Payment Handling Agent, income tax at the rate of 15.315 per cent. (until 31 December 2037, and at a rate of 15 per cent. thereafter) of the amount of such interest will be withheld by the Issuer, and, except where the recipient is a Public Corporation (other than a Japanese public-interest corporation designated by the relevant law that derives the interest from its profit-earning business designated by the relevant law), the amount of such interest will be aggregated with the recipient's other taxable income and will be subject to regular income tax or corporate tax, as appropriate.

**2.1.4** If a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution designated in Article 3-2-2, paragraph 29 of the Cabinet Order relating to the Special Taxation Measures Act (each, a "Designated Financial Institution") receives interest on the Notes not through a Japanese Payment Handling Agent and such recipient complies with the requirement, *inter alia*, to provide the Exemption Information or to submit the Claim for Exemption as referred to in paragraph 1.1.1(a) above, no income tax will be imposed, either by way of withholding or otherwise, but the recipient will be subject to regular corporate tax with respect to such interest.

## **2.2 Redemption Premium**

If the recipient of the Redemption Premium with respect to interest-bearing Notes is an individual resident of Japan or a Japanese corporation, such Redemption Premium will not be subject to any withholding tax but, except where the recipient is a Public Corporation (other than a Japanese public-interest corporation designated by the relevant law that derives the interest from its profit-earning business designated by the relevant law), will be included in the recipient's other taxable income and subject to regular income tax or corporate tax, as appropriate.

## **2.3 Special Additional Tax for Reconstruction from the Great East Japan Earthquake**

Due to the imposition of a special additional withholding tax of 0.315 per cent., (or 2.1 per cent. of 15 per cent.) to secure funds for reconstruction from the Great East Japan Earthquake, the withholding tax rate of 15 per cent. has been increased to 15.315 per cent. since 1 January 2013 to and including 31 December 2037. Certain special additional tax has also been imposed upon regular income tax or corporate tax, as referred to in the foregoing descriptions, for a certain period.

## **Potential FATCA withholding**

Pursuant to certain provisions of U.S. law, commonly known as FATCA, withholding may be required on, among other things, (i) certain payments made by "foreign financial institutions" ("**foreign passthru payments**"), (ii) dividend equivalent payments (as described below in "*Potential U.S. Withholding on Dividend Equivalent Payments*") and (iii) payments of gross proceeds from the disposition of securities that generate dividend equivalent payments, in each case, to persons that fail to meet certain certification, reporting, or related requirements. However, proposed U.S. Treasury regulations have been issued that provide for (x) the repeal of the withholding tax applicable to payments of gross proceeds from the disposition of assets that generate dividend equivalent payments and (y) the extension of the date on which withholding applies to foreign passthru payments to the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. In the preamble to the proposed regulations, the

U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Each Issuer is expected to be a foreign financial institution for these purposes. A number of jurisdictions (including Japan) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions.

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

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

#### **Potential U.S. Withholding on Dividend Equivalent Payments**

Under Section 871(m) of the Code and the U.S. Treasury regulations thereunder (“**Section 871(m)**”), a “dividend equivalent” payment is treated as a dividend from sources within the United States and will be subject to U.S. withholding tax at a rate of 30 per cent. when paid to a non-U.S. person (unless a lower treaty rate on dividends is applicable). A “dividend equivalent” payment generally includes a payment (or deemed payment) that is contingent upon, or determined by reference to, the payment of a U.S.-source dividend under certain financial instruments. An instrument whose economic characteristics are sufficiently similar to those of an underlying or referenced U.S. security that pays U.S.-source dividends under tests provided in applicable U.S. Treasury regulations will generally be subject to the Section 871(m) regime (such an instrument, a “**Specified ELI**”). The tests applicable for determining whether an instrument is a Specified ELI will depend on the terms of the relevant instrument and the date on which the instrument is issued, and may be subject to redetermination in connection with certain modifications of the instrument. Similarly, if additional Notes of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of Notes out of inventory) after the original issue date, the U.S. Internal Revenue Service (the “**IRS**”) could treat the issue date for determining whether the existing Notes are Specified ELIs as the date of such subsequent sale or issuance.

Pursuant to recent IRS guidance, Section 871(m) will not apply to certain financial instruments issued prior to 1 January 2023 if such financial instruments are not “delta one” transactions. With respect to financial instruments issued on or after 1 January 2023, a financial instrument will be a Specified ELI subject to Section 871(m) if such instrument has a delta of 0.8 or greater with respect to the underlying security. However, the Section 871(m) regulations provide certain broadly applicable exceptions to characterization as Specified ELIs, in particular for certain instruments linked to certain broad-based indices. The “delta” of a financial instrument is the ratio of the change in fair market value of such instrument to the change in the fair market value of the property referenced by such instrument.

Withholding in respect of dividend equivalents will generally be required when cash payments are made under a Specified ELI to a non-U.S. person or upon the date of maturity, lapse or other disposition by the non-U.S. person of the Specified ELI. If the underlying or referenced U.S. security or securities are treated as paying dividends during the term of the Specified ELI, withholding generally will still be required even if the Specified ELI does not provide for payments explicitly linked to such dividends.

As discussed above, FATCA would impose withholding tax at a rate of 30 per cent. on any payments in respect of a Note that are treated as dividend equivalent payments when paid to persons that fail to meet certain



certification, reporting, or related requirements. While a payment with respect to a Note could be subject to U.S. withholding under both FATCA and Section 871(m) as a result of being treated as a dividend equivalent payment, the maximum rate of U.S. withholding on such payment would not exceed 30 per cent.

Upon the issuance of a series of Notes, the relevant Issuer will state in the relevant Pricing Supplement if it has determined that the Notes are Specified ELIs at the time such Notes are issued, in which case Noteholders should expect to be subject to withholding in respect of any dividend equivalent payments on such Notes. In the event that any withholding would be required pursuant to Section 871(m) with respect to payments on the Notes, no person will be required to pay any additional amounts with respect to amounts so withheld. Additionally, the Issuer may withhold the full 30 per cent. tax on any payment on the Notes in respect of any dividend equivalent arising with respect to such Notes regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a Noteholder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A Noteholder may be able to claim a refund of any excess withholding provided the required information is timely furnished to the IRS. However, Noteholders may not receive the necessary information to properly claim a refund.

Prospective investors should consult their tax advisers regarding the consequences to them of the potential application of Section 871(m) to the Notes.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 28 September 2017 (as amended and/or supplemented from time to time, the “Dealer Agreement”) between the Issuers, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, each Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by an Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment and the update of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes will be stated in the relevant Pricing Supplement.

The Issuers have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

### Selling Restrictions

#### 1 United States of America:

1.1 The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed, or will represent and agree that it has offered and sold the Notes of any identifiable tranche, and shall offer and sell the Notes of any identifiable tranche (1) as part of their distribution at any time and (2) otherwise until 40 days after completion of the distribution of such tranche as determined, and certified to the relevant Issuer and each Relevant Dealer, by the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in this paragraph have the meanings given to them by Regulation S.

1.2 In addition, each Dealer has represented and agreed that in relation to each Tranche of Bearer Notes:

1.2.1 except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (the “D Rules”):

it has not offered or sold, and during a 40-day restricted period it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States

person and it has not delivered and shall not deliver within the United States or its possessions definitive Notes that are sold during the restricted period,

1.2.2 it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules,

1.2.3 if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issue and if it retains Notes for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) (or any successor rules that are in substantially the same form for purposes of Section 4701 of the Code), and

1.2.4 with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in Clauses 1.2.1, 1.2.2 and 1.2.3 on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the relevant Issuer the representations contained in Clauses 1.2.1, 1.2.2 and 1.2.3.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

1.3 In addition, to the extent that the Purchase Information or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is “C Rules”, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules that are in substantially the same form for purposes of Section 4701 of the Code) (the “C Rules”), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

## **2 Prohibition of Sales to EEA and U.K. Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the for Notes.

### 3 **United Kingdom:**

Each Dealer has further represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

### 4 **Japan:**

The Notes have not been and will not be registered under the FIEA. Accordingly, each of the Dealers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any person resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

In addition, the Notes will be subject to requirements under the Special Taxation Measures Act. Accordingly, each of the Dealers has represented, warranted and agreed that it (a) has not, directly or indirectly, offered or sold any Notes to, or for the benefit of, any person other than a Gross Recipient (as hereinafter defined) and (b) will not, directly or indirectly, offer or sell any Notes as part of the initial distribution by such Dealer at any time, to, or for the benefit of, any person other than a Gross Recipient. “Gross Recipient” as used above means (a) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Issuer of the Notes as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, (b) a Japanese financial institution designated in Article 3-2-2, Paragraph 29 of the Cabinet Order relating to the Special Taxation Measures Act that will hold the Notes for its own proprietary account, or (c) an individual resident of Japan or a Japanese corporation who will receive interest payments on the Notes through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order.

### 5 **Hong Kong:**

In relation to each Tranche of Notes issued by the Issuers, each Dealer has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (a) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## 6 Singapore:

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than:

(i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) pursuant to Section 274 of the SFA,

(ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## 7 **China:**

Each Dealer has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

## 8 **India:**

No invitation, offer or sale to purchase or subscribe to the Notes is made or intended to be made to the public in India through this Offering Circular or any amendment or supplement thereto. Neither this Offering Circular nor any amendment or supplement thereto is a prospectus, offer document or advertisement nor has it been or will be submitted or registered as a prospectus or offer document under any applicable law or regulation in India. Neither this Offering Circular nor any amendment or supplement thereto has been reviewed, approved, or recommended by any Registrar of Companies in India, the Securities and Exchange Board of India, the Reserve Bank of India, any stock exchange in India or any other Indian regulatory authority.

Accordingly, no person may make any invitation, offer or sale of any Notes, nor may this Offering Circular nor any amendment or supplement thereto nor any other document, material, notice or circular in connection with the invitation, offer or sale for subscription or purchase of any Notes be circulated or distributed whether directly or indirectly to, or for the account or benefit of, any person resident in India, other than strictly on a private and confidential basis and so long as any such offer is not calculated to result, directly or indirectly, in the Notes becoming available for subscription or purchase by persons other than those receiving such offer or invitation. Notwithstanding the foregoing, in no event shall the offer or sale to purchase or subscribe be made directly or indirectly, in any circumstances which would constitute an offer to the public in India within the meaning of any applicable law or regulation.

Any offer or sale to purchase or subscribe to the Notes to a person in India shall be made subject to compliance with all applicable Indian laws including, without limitation, the Foreign Exchange Management Act, 1999, as amended, and any guidelines, rules, regulations, circulars or notifications issued by the Reserve Bank of India, the Securities and Exchange Board of India and any other Indian regulatory authority.

Each investor in the Notes acknowledges, represents and agrees that it is eligible to invest in the Company and the Notes under applicable laws and regulations in India and that it is not prohibited or debarred under any law or regulation from acquiring, owning or selling the Notes.

## 9 **Republic of Korea:**

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "FSCMA"). None of the Notes may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "FETL"). Furthermore, the purchase of the Notes shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Notes.

## 10 **Taiwan:**

The Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan. No person or entity in Taiwan has been authorised to offer, or sell the Notes in Taiwan through a public offering or in circumstances where it constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan.

## 11 Australia:

No prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Programme or the Notes has been or will be lodged with the Australian Securities and Investments Commission (“ASIC”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that unless the applicable Pricing Supplement (or another supplement to this Offering Circular) otherwise provides, it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Notes in or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any prospectus or other offering material or advertisement relating to any Notes in Australia,

unless the offeree or invitee is a “wholesale client” (within the meaning of section 761G of the Australian Corporations Act) and (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or the equivalent in any other currency, in either case, disregarding moneys lent by the offeror or its associates), (ii) the offer or invitation otherwise does not require disclosure to investors in accordance with either Part 6D.2 or Chapter 7 of the Australian Corporations Act; (iii) such action complies with all applicable laws, regulations and directives (including, without limitation, the financial services licensing requirements of Chapter 7 of the Australian Corporations Act); and (iv) such action does not require any document to be lodged with ASIC.

## 12 New Zealand:

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes; and
- (b) it has not distributed and will not distribute, directly or indirectly, any offering materials or advertisement in relation to any offer of Notes,

in each case in New Zealand other than:

- (i) to persons who are “wholesale investors” as the term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (“FCM Act”), being a person who is:
  - (A) an “investment business”;
  - (B) “large” or
  - (C) a “government agency”,in each case as defined in Schedule 1 to the FMC Act; or
- (ii) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (i) above) Notes may not be offered or transferred to any “eligible investors” (as defined in the FMC Act or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

## 13 Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described therein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652A or

Article 1156 of the Swiss Code of Obligations, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

**General:**

These selling restrictions may be modified by the agreement of the relevant Issuer (or Issuers, as the case may be) and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation has been made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement in all cases at its own expense.



## FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [ • ]

**[DAIWA SECURITIES GROUP INC.]**

**[DAIWA SECURITIES CO. LTD.]**

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

under the **¥1,200,000,000 Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [ • ], as supplemented by the Supplementary Offering Circular dated [ • ] ([together,] the “Offering Circular”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Conditions and the Offering Circular.

**[PROHIBITION OF SALES TO EEA AND U.K. RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area or in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area or in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area or in the United Kingdom may be unlawful under the PRIIPs Regulation.]

**[“MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.”]

**[NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SFA** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

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

- 1 Issuer: [Daiwa Securities Group Inc.]  
[Daiwa Securities Co. Ltd.]
- 2 [(i) Series Number: [●]  
(ii) Tranche Number: [●]  
(if fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
- 3 Specified Currency or Currencies: [●]
- 4 Aggregate Nominal Amount:  
[(i) Series: [●]  
(ii) Tranche: [●]]
- 5 [(i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]  
(ii) Net proceeds: [●] (Required only for listed issues)]
- 6 (i) Specified Denomination(s): (Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which must be redeemed before the first anniversary of the date of their issue must have a minimum redemption value of £100,000 (or its equivalent in other currencies))  
[●]  
(ii) Calculation Amount: [●]
- 7 (i) Issue Date: [●]  
(ii) Interest Commencement Date: [●]
- 8 Maturity Date: [●] [specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to [●] [specify the relevant month and year]] [not applicable if perpetual Notes]  
  
[Such date to be subject to adjustment in accordance with the Business Day Convention. For the avoidance of doubt no additional amounts in respect of principal or interest shall be payable in respect of any such adjustment.]
- 9 Interest Basis: [[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Equity Linked Interest]

[Other (*specify*)]  
(further particulars specified below)

- 10 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Equity Linked Redemption]  
[Credit Linked]  
[Dual Currency]  
[Instalment]  
[Other (*specify*)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Not Applicable]  
[Put]  
[Call]  
[(further particulars specified below)]
- 13 (i) Status of the Notes:\* [Senior/Short-term Subordinated/Long-term Subordinated]
- (ii) Taxable Linked Notes (Condition 9(e)): [Yes/No]
- 14 Listing: [SGX-ST/Other (*specify*)/None]
- 15 Method of distribution: [Syndicated/Non-syndicated]

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

- 16 **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]  
[●] (*Please add appropriate provisions to terms and conditions if included.*)
- (ii) Interest Payment Date(s): [●] in each year [subject to adjustment in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/with no adjustment to actual Fixed Coupon Amount(s)]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) First Fixed Coupon Amount (if different from the Fixed Coupon Amount(s) set out in item 16(iii) above): [[●] per Calculation Amount payable on [●]/Not Applicable]
- (v) Day Count Fraction (Condition 7): [●]

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\* Subordinated Notes are issuable by DSCL only.

(vi)	Interest Determination Date(s) (Condition 7):	[Not Applicable/[●] in each year]. <i>[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]</i>
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/ <i>give details</i> ]
(viii)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other ( <i>give details</i> )]
(ix)	Business Centre(s) (Condition 7):	[●]
<b>17</b>	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Specified Period(s)/Specified Interest Payment Date(s):	[●]
(ii)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other ( <i>give details</i> )]
(iii)	Business Centre(s) (Condition 7):	[●]
(iv)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other ( <i>give details</i> )]
(v)	Interest Period Date(s):	[Not Applicable/[●] <i>[specify dates]</i> ]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(vii)	Screen Rate Determination (Condition 5(b)(iii)(B)):	
	– Relevant Time:	[●]
	– Interest Determination Date:	[[●] [TARGET] Business Days in <i>[specify city]</i> for <i>[specify currency]</i> prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
	– Primary Source for Floating Rate:	<i>[Specify relevant screen page or “Reference Banks”]</i>
	– Reference Banks (if Primary Source is “Reference Banks”):	<i>[Specify four]</i>
	– Relevant Financial Centre:	<i>[The financial centre most closely connected to the Benchmark – specify if not London]</i>

- Benchmark: *[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]*
  - Representative Amount: *[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]*
  - Effective Date: *[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
  - Specified Duration: *[Specify period for quotation if not duration of Interest Accrual Period]*
- (viii) ISDA Determination (Condition 5(b)(iii)(A)):
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
  - ISDA Definitions (if different from those set out in the Conditions): [●]
- (ix) Margin(s): [ +/- ] [●] per cent. per annum
- (x) Minimum Rate of Interest: [●] per cent. per annum
- (xi) Maximum Rate of Interest: [●] per cent. per annum
- (xii) Day Count Fraction (Condition 7): [●]
- (xiii) Rate Multiplier: [●]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]

**18 Zero Coupon Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Amortisation Yield (Condition 6(b)): [●] per cent. per annum
- (ii) Day Count Fraction (Condition 7): [●]
- (iii) Any other formula/basis of determining amount payable: [●]

<b>19</b>	<b>Index Linked Interest Note Provisions</b>	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Formula:	[●]
(ii)	Index:	[●]
(iii)	Type of Index:	[Unitary Index/Multi Exchange Index]
(iv)	Exchange:	[●]
(v)	Related Exchange:	[[●]/All Exchanges]
(vi)	Modification or Discontinuation of an Index	[Calculation Agent Adjustment[/] [and] Redemption and Payment]
(vii)	Initial Averaging Dates:	[●]/Not Applicable
	<i>[If applicable]</i>	
	Initial Averaging Date Market Disruption (Index):	[Omission] [Postponement] [Modified Postponement]]
(viii)	Initial Setting Date:	[●] [Not Applicable]
(ix)	Valuation Time:	[●] [Not Applicable]
(x)	Valuation Date (Index):	[●] [Not Applicable]
(xi)	Averaging Dates:	[●] [Not Applicable]
	<i>[If applicable]</i>	
	Averaging Date Disrupted Day:	[Omission] [Postponement] [Modified Postponement]]
(xii)	Sponsor:	[●]
	<i>(Please specify which of the following is applicable for adjusting the dates, times or prices set out above.)</i>	
(xiii)	Market Disruption Event (Index):	[Applicable/Not Applicable]
(xiv)	Adjustments and Corrections:	[Applicable/Not Applicable]
(xv)	Additional Disruption Events:	[Applicable/Not Applicable]
		The following Additional Disruption Events shall apply to the Notes: [Change in Law; Hedging Disruption; Increased Cost of Hedging; Increased Cost of Stock Borrow; Insolvency Filing ( <i>N.B. Only applicable in the case of Equity Linked Notes</i> ); and Loss of Stock Borrow]
(a)	Trade Date <i>(if Change in Law and/or Increased</i>	[●]

*Cost of Hedging is applicable):*

- (b) Maximum Stock Loan Rate in respect of each relevant Share/security/commodity *(if Loss of Stock Borrow is applicable):* [●]
- (c) Initial Stock Loan Rate in respect of each relevant Share/security/commodity *(if Increased Cost of Stock Borrow is applicable):* [●]
- (xvi) Specified Period(s)/Specified Interest Payment Date(s): [●]
- (xvii) Business Day Convention: [Floating Rate Business Day Convention/  
Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (xviii) Business Centre(s) (Condition 7): [●]
- (xix) Minimum Rate of Interest: [●] per cent. per annum
- (xx) Maximum Rate of Interest: [●] per cent. per annum
- (xxi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (xxii) Day Count Fraction (Condition 7): [●]
- (xxiii) Other: *(please specify)*
- 20 Equity Linked Interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Formula: [●]
- (ii) Shares: [●]
- (iii) Share Issuer: [●]
- (iv) Exchange: [●]
- (v) Related Exchange: [●] [All Exchanges]

- (vi) Basket: [●] *[insert details of each Share Issuer, number of Shares, ISIN numbers, Exchange and Related Exchange for each Share in the Basket]*
- (vii) Share Substitution: [Applicable/Not Applicable]
- (viii) Share Amount (physical settlement only): [Applicable/Not Applicable]  
*(If applicable, specify number of Shares to be delivered in accordance with Formula)*
- (ix) Strike Price: [●]
- (x) Valuation Time: [●]
- (xi) Valuation Date (Equity): [●]
- (xii) Settlement Date: [●]
- (xiii) Initial Share Price: [●]
- (xiv) Final Share Price: [●]
- (xv) Initial Averaging Dates: [●] [Not Applicable]  
*[If applicable]*  
Initial Averaging Date [Omission]  
Disrupted Day: [Postponement]  
[Modified Postponement]]
- (xvi) Initial Setting Date(s): [●] [Not Applicable]
- (xvii) Averaging Dates: [●] [Not Applicable]  
*[If applicable]*  
Averaging Date Disrupted Day: [Omission]  
[Postponement]  
[Modified Postponement]]
- (xviii) Applicable Business Day Centre(s): [●]
- (xix) Relevant Clearing System: [Euroclear/Clearstream/Other *(specify)*]
- (xx) Share Delivery Clearance System: [●]
- (xxi) Share Amount Settlement Date (physical settlement only): [Applicable/Not Applicable]  
*(If applicable, specify date)*
- (xxii) Physical Settlement: [Applicable/Not Applicable]

*(Please specify which of the following is applicable for adjusting the dates, times or prices set out above.)*



- (xxiii) Disruption Cash Settlement: [Applicable/Not Applicable]  
*[If applicable]*  
 Disruption Cash Settlement Price: [●] *[N.B. This must be a per Specified Denomination Amount]*
- (xxiv) Market Disruption Event (Equity): [Applicable/Not Applicable]
- (xxv) Potential Adjustment Event: [Applicable/Not Applicable]
- (xxvi) Adjustments and Corrections: [Applicable/Not Applicable]
- (xxvii) Additional Disruption Events: [Applicable/Not Applicable]

The following Additional Disruption Events shall apply to the Notes: [Change in Law; Hedging Disruption; Increased Cost of Hedging; Increased Cost of Stock Borrow; Insolvency Filing (*N.B. Only applicable in the case of Equity Linked Notes*); and Loss of Stock Borrow]

- (a) Trade Date (*if Change in Law and/or Increased Cost of Hedging is applicable*): [●]
- (b) Maximum Stock Loan Rate in respect of each relevant Share/security/commodity (*if Loss of Stock Borrow is applicable*): [●]
- (c) Initial Stock Loan Rate in respect of each relevant Share/security/commodity (*if Increased Cost of Stock Borrow is applicable*): [●]

- (xxviii) Merger Event: [Applicable/Not Applicable]

*[If applicable]*

Consequences of a Merger Event:

- (i) Share-for-Combined [Alternative Obligation/Redemption and Payment/Calculation Agent Adjustment/Component Adjustment]
- (ii) Share-for-Other [Alternative Obligation/Redemption and Payment/Calculation Agent Adjustment]
- (iii) Share-for-Share [Alternative Obligation/Redemption and Payment/Calculation Agent Adjustment]

- (xxix) Tender Offer: [Applicable/Not Applicable]

*[If applicable]*

Consequences of a Tender Offer:

- |           |  |  |
|-----------|--|--|
| (i)       | Share-for-Combined   | [Redemption and Payment/Calculation Agent Adjustment]  |
| (ii)      | Share-for-Other  | [Redemption and Payment/Calculation Agent Adjustment]  |
| (iii)     | Share-for-Share  | [Redemption and Payment/Calculation Agent Adjustment]  |
| (xxx)     | Nationalisation:   | [Applicable/Not Applicable]  |
| (xxx1)    | De-Listing:  | [Applicable/Not Applicable]  |
| (xxxii)   | Insolvency:  | [Applicable/Not Applicable]  |
| (xxxiii)  | Specified Period(s)/Specified Interest Payment Date(s):  | [●]  |
| (xxxiv)   | Business Day Convention:   | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other <i>(give details)</i> ] |
| (xxxv)    | Business Centre(s) (Condition 7):  | [●]  |
| (xxxvi)   | Minimum Rate of Interest:  | [●] per cent. per annum  |
| (xxxvii)  | Maximum Rate of Interest:  | [●] per cent. per annum  |
| (xxxviii) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): | [●]  |
| (xxxix)   | Day Count Fraction (Condition 7):  | [●]  |
| (xl)      | Other:   | <i>[Please specify]</i>  |
| <b>21</b> | <b>Dual Currency Note Provisions</b>   | [Applicable/Not Applicable]<br><br><i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>  |
| (i)       | Rate of Exchange/Method of calculating Rate of Exchange:   | <i>[Give details]</i>  |
| (ii)      | Calculation Agent, if any, responsible for calculating the principal and/or interest due:                        | [●]  |
| (iii)     | Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:            | [●]  |

(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]
(v)	Day Count Fraction (Condition 7):	[●]
<b>22</b>	<b>Other Note Provisions</b>	[●]
<b>PROVISIONS RELATING TO REDEMPTION</b>		
<b>23</b>	<b>Call Option Provisions</b>	[Applicable/Not Applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>		
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[Principal amount]/[other]
(iii)	If redeemable in part:	
	[(a) Minimum nominal amount to be redeemed:	[●]
	(b) Maximum nominal amount to be redeemed:]	[●]
(iv)	Option Exercise Date(s):	[●]
(v)	Description of any other Issuer's option:	[●]
(vi)	Notice period:	[●]
<b>24</b>	<b>Put Option Provisions</b>	[Applicable/Not Applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>		
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[Principal amount]/[other]
(iii)	Option Exercise Date(s):	[●]
(iv)	Description of any other Noteholders' option:	[●]
(v)	Notice period:	[●]
<b>25</b>	<b>Final Redemption Provisions</b> <i>(all Notes except Equity Linked Redemption Notes, Index Linked Redemption Notes and Credit Linked Notes)</i>	[Applicable/Not Applicable] [Final Redemption Amount]/[other]

**26 Final Redemption Provisions (Equity  
Linked Redemption Notes)**

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

- (i) Formula: [●]
- (ii) Shares: [●] ISIN [●] (as quoted in [Currency])
- (iii) Share Amount (physical settlement only): [Applicable/Not Applicable]  
  
[[●] Shares]  
  
*(If applicable, specify number of Shares to be delivered in accordance with Formula)*
- (iv) Share Issuer: [●]
- (v) Exchange: [●]
- (vi) Related Exchange: [●] [All Exchanges]
- (vii) Basket: [●] *[insert details of each Share Issuer, number of Shares, ISIN numbers, Exchange and Related Exchange for each Share in the Basket]*
- (viii) Share Substitution: [Applicable/Not Applicable]
- (ix) Strike Price: [●]
- (x) Valuation Time: [●]
- (xi) Valuation Date (Equity): [●]
- (xii) Settlement Date: [●]
- (xiii) Initial Share Price: [●]
- (xiv) Final Share Price: [●]
- (xv) Initial Averaging Dates: [●] [Not Applicable]
- (xvi) Initial Averaging Date Disrupted Day: [Omission]  
[Postponement]  
[Modified Postponement]
- (xvii) Initial Setting Date: [●] [Not Applicable]
- (xviii) Averaging Dates: [●] [Not Applicable]  
  
*[If applicable]*  
  
Averaging Date Disrupted Day: [Omission]  
[Postponement]  
[Modified Postponement]]
- (xix) Applicable Business Day Centre(s): [●]

- (xx) Relevant Clearing System: Euroclear/Clearstream/Other
- (xxi) Share Delivery Clearance System: [●]
- (xxii) Share Amount Settlement Date (physical settlement only): [Applicable/Not Applicable] *(If applicable, specify date)*
- (xxiii) Physical Settlement: [Applicable/Not Applicable]
- (Please specify which of the following is applicable for adjusting the dates, times or prices set out above.)*
- (xxiv) Disruption Cash Settlement: [Applicable/Not Applicable]
- [If applicable]*
- Disruption Cash Settlement Price: [●] *[N.B. This must be a per Specified Denomination amount]*
- (xxv) Market Disruption Event (Equity): [Applicable/Not Applicable]
- (xxvi) Potential Adjustment Event: [Applicable/Not Applicable]
- (xxvii) Adjustments and Corrections: [Applicable/Not Applicable]
- (xxviii) Additional Disruption Events: [Applicable/Not Applicable]
- The following Additional Disruption Events shall apply to the Notes: [Change in Law; Hedging Disruption; Increased Cost of Hedging; Increased Cost of Stock Borrow; Insolvency Filing *(N.B. Only applicable in the case of Equity Linked Notes)*; and Loss of Stock Borrow]
- (a) Trade Date *(if Change in Law and/or Increased Cost of Hedging is applicable)*: [●]
- (b) Maximum Stock Loan Rate in respect of each relevant Share/security/commodity *(if Loss of Stock Borrow is applicable)*: [●]
- (c) Initial Stock Loan Rate in respect of each relevant Share/security/commodity *(if Increased Cost of Stock Borrow is applicable)*: [●]
- (xxix) Merger Event: [Applicable/Not Applicable]
- [If applicable]*
- Consequences of a Merger Event:
- (i) Share-for-Combined: [Alternative Obligation/Redemption and Payment/Calculation Agent Adjustment/ Component Adjustment]

	(ii)	Share-for-Other:	[Alternative Obligation/Redemption and Payment/ Calculation Agent Adjustment]
	(iii)	Share-for-Share:	[Alternative Obligation/Redemption and Payment/ Calculation Agent Adjustment]]
	(xxx)	Tender Offer:	[Applicable/Not Applicable]
		<i>[If applicable</i>	
		Consequences of a Tender Offer:	
	(i)	Share-for-Combined:	[Redemption and Payment/Calculation Agent Adjustment/Component Adjustment]
	(ii)	Share-for-Other:	[Redemption and Payment/Calculation Agent Adjustment]
	(iii)	Share-for-Share:	[Redemption and Payment/Calculation Agent Adjustment]]
	(xxxi)	Nationalisation:	[Applicable/Not Applicable]
	(xxxii)	De-Listing:	[Applicable/Not Applicable]
	(xxxiii)	Insolvency:	[Applicable/Not Applicable]
	(xxxiv)	Other:	[Please specify]
<b>27</b>		<b>Final Redemption Provisions</b> ( <i>Index Linked Redemption Notes</i> )	[Applicable/Not Applicable]
	(i)	Formula:	[●]
		<i>[If applicable</i>	
		[Method for determining Final Price (Index):	[●]]
		[Method for determining Relevant Price (Index):	[●]]]
	(ii)	Index:	[●]
	(iii)	Type of Index:	[Unitary Index/Multi Exchange Index]
	(iv)	Exchange:	[●]
	(v)	Related Exchange:	[●] [All Exchanges]
	(vi)	Modification or Discontinuation of an Index:	[Calculation Agent Adjustment[/and] [Redemption and Payment]
	(vii)	Initial Averaging Dates:	[●] [Not Applicable]
		<i>[If applicable</i>	

Initial Averaging Date:

Disrupted Day: [Omission]  
[Postponement]  
[Modified Postponement]]

(viii) Initial Setting Date: [●] [Not Applicable]

(ix) Valuation Time: [●]

(x) Valuation Date (Index): [●]

(xi) Averaging Dates: [●] [Not Applicable]

*[If applicable]*

Averaging Date Disrupted Day: [Omission]  
[Postponement]  
[Modified Postponement]]

(xii) Sponsor: [●]

(xiii) Market Disruption Event (Index): [●]

(xiv) Adjustments and Corrections: [Applicable/Not Applicable]

(xv) Additional Disruption Events: [Applicable/Not Applicable]

The following Additional Disruption Events shall apply to the Notes: [Change in Law; Hedging Disruption; Increased Cost of Hedging; Increased Cost of Stock Borrow; Insolvency Filing (*N.B. Only applicable in the case of Equity Linked Notes*); and Loss of Stock Borrow]

(a) Trade Date (*if Change in Law and/or Increased Cost of Hedging is applicable*): [●]

(b) Maximum Stock Loan Rate in respect of each relevant Share/security/commodity (*if Loss of Stock Borrow is applicable*): [●]

(c) Initial Stock Loan Rate in respect of each relevant Share/security/commodity (*if Increased Cost of Stock Borrow is applicable*): [●]

**28 Final Redemption Provisions** (*Credit Linked Notes*)

[Applicable/Not Applicable]

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

- (i) Final Redemption Amount: [Principal amount]/[other]
- (ii) Trade Date: [●]
- (iii) Scheduled Observation End Date: [The day falling [five] Business Days prior to the Scheduled Maturity Date/specify other]
- (iv) First-to-Default: [Applicable/Not Applicable]
- (If applicable, specify Reference Entities comprising the Reference Portfolio in sub-paragraph (v) below. If not applicable, specify the Reference Entity in sub-paragraph (vi) below.)*
- (v) Reference Entities comprising the Reference Portfolio: [●] [Not Applicable]
- (vi) Reference Entity: [●] [Not Applicable]
- (vii) Reference Obligation(s): [●] *(N.B. If "First-to-Default" is applicable, specify for each Reference Entity in the Reference Portfolio)*
- (viii) All Guarantees: [Applicable/Not Applicable] *(N.B. If Applicable, the provisions of the 2003 ISDA Credit Derivatives Definitions will apply to any Reference Entity)*
- (ix) Credit Events: [Bankruptcy]  
[Failure to Pay]  
[Grace Period Extension  
[Applicable/Not Applicable]  
[If Applicable:  
Grace Period: [●] calendar days]  
[Obligation Acceleration]  
[Obligation Default]  
[Repudiation/Moratorium]  
[Restructuring]  
Restructuring Maturity Limitation and Fully Transferable Obligation: [Applicable/Not Applicable]  
Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Applicable/ Not Applicable]  
Partial Redemption Following Restructuring: [Applicable/Not Applicable]  
Multiple Holder Obligation: [Applicable/Not Applicable]  
[other]
- Default Requirement: [●]
- Payment Requirement: [●]
- (x) Conditions to Settlement: Credit Event Notice



*(N.B. The Credit Event Notice will be delivered by the Calculation Agent to the Issuer. Upon receipt of the Credit Event Notice, the relevant Issuer will give notice to Noteholders as soon as practicable in accordance with Condition 15.)*

Notice of Publicly Available Information [Applicable/Not Applicable]

[If Applicable:

Public Source(s): [●]

Specified Number: [●]

- (xi) Credit Event Determination Date: Credit Event Determination Date [Version A]/  
[Version B]
- (xii) Obligation(s):
- Obligation Category: [Payment]  
*(select one only)* [Borrowed Money]  
[Reference Obligations Only]  
[Bond]  
[Loan]  
[Bond or Loan]
- Obligation Characteristics: [Not Subordinated]  
*(select all of which apply)* [Specified Currency:  
[specify currency] [Standard Specified Currencies]]  
[Not Sovereign Lender]  
[Not Domestic Currency:]  
[Domestic Currency means: [specify currency]]  
[Not Domestic Law]  
[Listed]  
[Not Domestic Issuance]
- Additional Obligation(s): [●]
- (xiii) Credit Event Backstop Date: [Applicable/Not Applicable]
- (xiv) Succession Event Bank Stop Date: [Applicable/Not Applicable]
- (xv) Excluded Obligation(s): [●]
- (xvi) Settlement Method: [Auction Settlement/Cash Settlement/Physical Settlement]
- (xvii) Partial Accrual of Interest upon Credit Event: [Applicable/Not Applicable]
- (xviii) No Accrual of Interest upon Credit Event: [Applicable/Not Applicable]
- (xix) Merger Event: Condition 6(a)(v)(12)  
[Applicable/Not Applicable]  
*(If Applicable)*  
[Merger Event Redemption Amount: [Principal amount]/  
[other]]  
[Merger Event Redemption Date: [●]]

- (xx) Unwind Amount: [Standard Unwind Amount/other/Not Applicable]
- (xxi) Provisions relating to Monoline Insurer as Reference Entity: Condition 6(a)(v)(16) [Applicable/Not Applicable]
- (xxii) Calculation Agent City: [●]
- [Note - Terms relating to Cash Settlement (Include if Cash Settlement applies. If not applicable, delete the remaining sub-paragraphs below)]*
- (xxiii) Credit Event Redemption Amount: [Principal amount]/[other]
- (xxiv) Credit Event Redemption Date: [●] Business Days
- (xxv) Valuation Date: [Single Valuation Date:  
[●] Business Days]  
[Multiple Valuation Dates:  
  
[●] Business Days; and each [●] Business Days thereafter.  
Number of Valuation Dates: [●]]
- (xxvi) Valuation Time: [●]
- (xxvii) Quotation Method: [Bid/Offer/Mid-market]
- (xxviii) Quotation Amount: [[●]/Representative Amount]
- [(xxix) Minimum Quotation Amount: [●]]
- (xxx) Quotation Dealers: [●]
- (xxxi) Quotations: [Include Accrued Interest/Exclude Accrued Interest]
- (xxxii) Valuation Method: [Market/Highest]  
[Average Market/Highest/Average Highest]  
[Blended Market/Blended Highest]  
[Average Blended Market/Average Blended Highest]
- (xxxiii) Other terms or special conditions: [●]
- Additional terms relating to Auction Settlement*
- (xxxiv) Fallback Settlement Method: [Cash Settlement/Physical Settlement]
- (xxxv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (xxxvi) Succession Event Backstop Date subject to adjustment in accordance with Business Day Convention: [Yes/No]

- (xxxvii) Limitation Dates subject to [Yes/No]  
adjustment in accordance with  
Business Day Convention:
- [Note - Terms relating to Physical Settlement (Include if Physical Settlement applies. If not applicable, delete the remaining sub-paragraphs below)]*
- (xxxviii) Physical Settlement Period:  Business Days
- (xxxix) Asset Amount: [Include Accrued Interest/Exclude Accrued Interest]
- (xl) Settlement Currency:
- (xli) Deliverable Obligations:
- Deliverable Obligation Category: [Payment]  
(select one only) [Borrowed Money]  
[Reference Obligations Only]  
[Bond]  
[Loan]  
[Bond or Loan]
- Deliverable Obligation Characteristics: [Not Subordinated]  
(select all of which apply) [Specified Currency:  
[specify currency] [Standard Specified Currencies]  
[Not Sovereign Lender]  
[Not Domestic Currency]  
[Domestic Currency means: [specify currency]]  
[Not Domestic Law]  
[Listed]  
[Not Contingent]  
[Not Domestic Issuance]  
[Assignable Loan]  
[Consent Required Loan]  
[Direct Loan Participation]  
[Qualifying Participation Seller: [insert details]]  
[Transferable]  
[Maximum Maturity:  
[•]]  
[Accelerated or Matured]  
[Not Bearer]
- Additional Deliverable Obligation(s):
- Interpretation of Provisions: [Applicable/Not Applicable]
- (see sub-paragraph(d)(B) of the definition of "Deliverable Obligations") [Insert details (N.B. Unless specified as Not Applicable, then sub-paragraph(d)(B) of the definition of "Deliverable Obligations" will apply)]*
- (xlii) Excluded Deliverable Obligation(s):
- (xliii) Indicative Quotations: [Applicable/Not Applicable]
- (xliv) Partial Cash Settlement of Consent Required Loans: [Applicable/Not Applicable]
- (xlv) Partial Cash Settlement of Assignable Loans: [Applicable/Not Applicable]

- (xlvi) Cut-off Date: [●]
- (xlvii) Delivery provisions for Asset Amount (including details of the party making such delivery) if different from Terms and Conditions: [●]
- (xlviii) Other terms or special conditions: [●]

**29 Early Redemption Provisions**

- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or an event of default (Condition 11) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Principal amount]/[The provisions in Condition 6(c)]/[The provisions in Condition 11] [●] apply/Other]
- (ii) [Early Redemption Amount(s) payable following the occurrence of a Credit Event:] [●]
- (iii) Mandatory Early Redemption: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (a) Formula: [●]
  - (b) Early Redemption Amount: [Principal amount]/[other]
  - (c) Early Redemption Date(s): [●]
  - (d) Valuation Date ([Index/Equity]): [●]
- (iv) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)): [●]
- (v) [Early Redemption Amount upon a Benchmark Event (Condition 6(h)):] [Benchmark Redemption Amount]/[other]
- (vi) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 8(f)): [●]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 30** Form of Notes: [Bearer Notes/Exchangeable Bearer Notes/ Registered Notes]  
*[Delete as appropriate]*

- (i) Temporary or permanent Global Note/Certificate: [Temporary Global Note/Certificate exchangeable for a permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates in the limited circumstances specified in the permanent Global Note/Certificate]
- [Temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]
- [Permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates in the limited circumstances specified in the permanent Global Note/Certificate]
- [Global Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]
- (ii) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
- (iii) Additional U.S. federal income tax considerations: [The Notes are [not] subject to withholding on “dividend equivalent” payments pursuant to Section 871(m) of the Code. [Additional information regarding the application of Section 871(m) to the Notes will be available from [give name(s) and address(es) of relevant Issuer contact].]] *(The Notes will not be subject to withholding under Section 871(m) of the Code if they (i) are issued prior to January 1, 2021 and provide a return that differs significantly from the return on an investment in any referenced U.S. equity (including any U.S. equity that is a component of a referenced index) or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes are issued on or after January 1, 2021 and reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities, further analysis would be required. If the Notes are subject to withholding under Section 871(m) of the Code, include the “Additional information” sentence and provide the appropriate contact information at the relevant Issuer.)]*
- (iv) New Global Note or New Safekeeping Structure: [Not applicable]  
[New Global Note]  
[The Global Certificate will be registered in the name of a Common Safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the new safekeeping structure)]
- 31 Financial Centre(s) (Condition 8(h)) or other special provisions relating to payment dates: [Not Applicable/Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iii) and 19(xvi) relate]
- 32 Currency Disruption Event (Condition 8(i)): [Applicable/Not Applicable]  
*(pursuant to Condition 8(i), available for payments in Turkish lira, South African rand and certain types of payments. Always refer to Condition 8(i) for details)*

[If applicable

- (i) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (ii) Business Centre(s) (Condition 7): [Istanbul, London, New York, TARGET and Tokyo]/[Johannesburg, London, New York and Tokyo]]
- 33** Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. (*If yes, give details*)]
- 34** Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
- 35** Details relating to Instalment Notes: [Not Applicable/*give details*]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]
- 36** Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
- 37** Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to this Pricing Supplement] apply]
- 38** Other terms or special conditions<sup>(1)</sup>: [Not Applicable/*give details*]

## DISTRIBUTION

- 39** (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable/*give name*]
- (iii) Managers' Commission: [●]
- 40** (i) If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- (ii) Dealer's Commission: [●]

<sup>(1)</sup> If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent Global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

41 Additional selling restrictions: [Not Applicable/*give details*]

## OPERATIONAL INFORMATION

42 Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

43 ISIN Code: [●]

44 Common Code: [●]

45 [Classification of Financial Instruments (CFI): [●]]

46 [Financial Instruments Short Name (FISN): [●]]

47 [Legal Entity Identifier: [●]]

48 Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and identification number(s)*]

49 Delivery: Delivery [against/free of] payment

50 The Agents appointed in respect of the Notes are: [●]

51 Share Transfer Notice: [Not Applicable/Schedule 8 to Agency Agreement/other]

## GENERAL

52 Additional steps that may only be taken following approval by an Extraordinary [Not Applicable/*give details*]

Resolution in accordance with  
Condition 12(a):

- 53 The aggregate principal amount of Notes issued has been translated into yen at the rate of [●], producing a sum of (for Notes not denominated in yen): [Not Applicable/Yen[●]]
- 54 Ratings: The Notes to be issued have been rated:  
[Moody's Japan K.K.: [ ]]  
[Rating and Investment Information, Inc.: [ ]]  
[[Other]: [ ]]  
[Not Applicable]  
*(The above disclosure should reflect the rating allocated to Notes where the issue has been specifically rated, otherwise specify "Not Applicable".)*

#### **[LISTING APPLICATION]**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the ¥1,200,000,000 Euro Medium Term Note Programme of Daiwa Securities Group Inc. and Daiwa Securities Co. Ltd.]

#### **[STABILISING]**

In connection with this issue, [*insert name of Stabilising Manager*] (the "Stabilising Manager") or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Any stabilisation action or over-allotment will be conducted in accordance with applicable laws and rules.]

#### **[MATERIAL ADVERSE CHANGE STATEMENT]**

[Except as disclosed in this document, there/There]<sup>(2)</sup> has been no significant change in the financial position of the Issuer since [ ● ] and no material adverse change in the financial position or prospects of the Issuer since [ ● ].]

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular referred to above, contains all information that is material in the context of the issue of the Notes. [The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for any of the statements made or opinions expressed in reports contained in this Pricing Supplement. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.]

#### **Signed on behalf of the Issuer:**

By: \_\_\_\_\_

Duly authorised signatory

<sup>(2)</sup> If any change is disclosed in the Pricing Supplement, it may require approval by the relevant Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.



## GENERAL INFORMATION

(1) Each of DSGI and DSCL has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme, pursuant to a resolution of the Executive Management Committee passed on 23 March 2020, in the case of DSGI, and resolutions of the Board of Directors of DSCL passed on 18 March 2020, in the case of DSCL.

(2) Except as disclosed in this Offering Circular, (a) there has been no significant change in the financial position of DSGI or of the Group since 31 March 2020 and no material adverse change in the financial position or prospects of the DSGI or of the Group since 31 March 2020 and (b) there has been no significant change in the financial position of DSCL since 31 March 2019 and no material adverse change in the financial position or prospects of the DSCL since 31 March 2020.

(3) Neither (a) DSGI nor any of its subsidiaries is or has been involved in any legal or arbitration proceedings that may have, or has had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position of the Group or DSGI, nor is DSGI aware that any such proceedings are pending or threatened; nor (b) DSCL is or has been involved in any legal or arbitration proceedings that may have, or has had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position of DSCL, nor is DSCL aware that any such proceedings are pending or threatened.

(4) Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

(5) The following legend shall appear on all Global Notes, Definitive Notes, Certificates and Receipts:

“Payment of interest on this security to an individual resident of Japan or to a Japanese corporation (except for (i) a financial institution designated by the Order for Enforcement of the Special Taxation Measures Law of Japan (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”) which has complied with the requirements under Article 6 of the Special Taxation Measures Law and (ii) a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments firm as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Law which receives the interest payments through its payment handling agent in Japan and complies with the requirement for tax exemption under that Paragraph), or to an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purpose (a “Non-Resident Holder”) that in either case is a person having a special relationship (as described in Article 6, Paragraph 4 of the Special Taxation Measures Law) with the Issuer (a “Specially-Related Person of the Issuer”) will be subject to Japanese income tax at a rate of 15.315 per cent. until 31 December 2037 (and a rate of 15 per cent. thereafter) of the amount of such interest.

Interest on securities issued by the Issuer in respect of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order) relating to the Issuer or a Specially-Related Person of the Issuer will also be subject to 15.315 per cent. (from 1 January 2038, 15 per cent.) withholding tax even if paid to a Non-Resident Holder that is not a Specially-Related Person of the Issuer.”

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other Relevant Clearing System for each Series of Notes will be set out in the relevant Pricing Supplement.

(7) For so long as Notes may be issued pursuant to this Offering Circular and remain outstanding, the following documents (together with English translations thereof where applicable) will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), at the offices of the Paying Agents:

- (i) the Agency Agreement (as amended or supplemented from time to time) (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

- (ii) the Deed of Covenant of DSGI (as amended or supplemented from time to time);
  - (iii) the Deed of Covenant of DSCL (as amended or supplemented from time to time);
  - (iv) the Articles of Incorporation of each Issuer (together with an English translation);
  - (v) each Pricing Supplement for Notes that are listed on the Market or any other stock exchange;
  - (vi) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular;
  - (vii) (a) the published annual report of DSGI for the year ended 31 March 2020, (b) the English translation of the Japanese language unaudited quarterly consolidated financial statements of DSGI for the three months ended 30 June 2020 and (c) any audited consolidated financial statements or unaudited quarterly consolidated financial statements of DSGI published subsequently to such annual and quarterly financial statements; and
  - (viii) (a) the audited non-consolidated financial statements of DSCL for the years ended 31 March 2020 and 2019 and (b) any future annual or interim financial statements of DSCL, if published. At this time, DSCL is not required to and does not publish interim financial statements.
- (8) As of the date hereof, DSCL does not have consolidated subsidiaries or equity method affiliates and therefore DSCL will produce its financial statements on a non-consolidated basis only.
- (9) Application has been made to SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. If the application to the SGX-ST to list a particular series of Notes is approved, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes, if traded, will be traded on the SGX-ST in a board lot size of at least S\$200,000 (or its equivalent in other currencies). The minimum issue size of such Notes will be S\$5,000,000 (or its equivalent in other currencies).

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note or, as the case may be, a Global Certificate is exchanged for definitive Notes, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note or, as the case may be, a Global Certificate is exchanged for definitive Notes, an announcement of such exchange will be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

**REGISTERED OFFICE OF THE ISSUERS**

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**To the Dealers**  
*as to English law*  
**Gaikokuho Kyodo-Jigyo**  
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# 大和証券グループ本社

Daiwa Securities Group Inc.