

## BASE PROSPECTUS



# Banco Comercial Português, S.A.

*Incorporated with limited liability under the laws of Portugal*

## **€2,000,000,000 Structured Medium Term Note Programme**

Under this €2,000,000,000 Structured Medium Term Note Programme (the "**Programme**"), Banco Comercial Português, S.A. ("**BCP**", the "**Bank**" or the "**Issuer**") may from time to time issue notes denominated in any currency agreed with the relevant Dealer (as defined below).

This document (this "**Base Prospectus**") constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive (as defined below). The terms and conditions of the Notes (the "**Conditions**") will comprise the General Conditions, each Annex specified as applicable in the completed Final Terms and the completed Final Terms (each as defined below). This Base Prospectus, any supplement to this Base Prospectus (a "**Supplement to this Base Prospectus**"), any applicable Annex and the Final Terms for a Series will comprise the "**Offering Documents**".

The Issuer may from time to time issue notes in bearer form ("**Bearer Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

In addition, the Issuer may issue Notes in book entry form ("**Book Entry Notes**", and together with the Bearer Notes, the "**Notes**") that will be held through Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("**Interbolsa**"), as management entity of the Portuguese Centralised System of Registration of Securities ("**Central de Valores Mobiliários**").

Notes may be issued whose return (whether in respect of any interest payable on such Notes and/or their redemption amount) is linked to one or more indices ("**Index Linked Notes**"), one or more shares or depositary receipts ("**Equity Linked Notes**"), one or more inflation indices ("**Inflation Linked Notes**"), one or more fund shares or units ("**Fund Linked Notes**"), the credit of a specified entity or entities ("**Credit Linked Notes**"), one or more foreign exchange rates ("**Foreign Exchange (FX) Rate Linked Notes**") or any combination thereof ("**Combination Notes**") as more fully described herein. Notes may provide that settlement will be by way of cash settlement ("**Cash Settled Notes**") or physical delivery ("**Physically Settled Notes**") as provided in the Final Terms.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €2,000,000,000 (or its equivalent in other currencies). Notes may be issued on a continuing basis to one or more dealers appointed from time to time by the Issuer (the "**Dealers**" and each a "**Dealer**"). References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes as designated in each specific issue of Notes.

**Potential investors should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own circumstances and financial condition. An investment in Notes may involve a high degree of risk and potential investors should be prepared to sustain a total loss of the purchase price of their Notes. For a discussion of these risks see the "Risk Factors" section on pages 66 to 136 below.**

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to Directive 2003/71/EC.

The Issuer may agree with the relevant Dealer that Notes may be issued in a form not contemplated by the "*Terms and Conditions of the Notes*" set out herein, in which event a Supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Book Entry Notes will be registered by Interbolsa. Each person shown in the individual securities accounts held with an authorised financial intermediary institution entitled to hold control accounts with the Central de Valores Mobiliários on behalf of their customers (and includes any depositary banks appointed by Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") for the purpose of holding accounts on behalf of Euroclear and/or Clearstream, Luxembourg, respectively) (each an "**Affiliated Member**") as having an interest in the Book Entry Notes shall be considered the holder of the principal amount of Notes recorded. One or more certificates in relation to the Book Entry Notes (each a "**Certificate**") will be delivered by the relevant Affiliated Member of Interbolsa in respect of its registered holding of Notes upon the request by the relevant holder of Book Entry Notes and in accordance with that Affiliated Member's procedures and pursuant to article 78 of the Portuguese Securities Code (*Código dos Valores Mobiliários*). For further details of clearing and settlement of the Notes issued under the Programme see "*Clearing and Settlement*" below.

References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. As used herein, "**Issue Terms**" means either (i) where the Notes are not Exempt Notes, the applicable Final Terms or (ii) where the Notes are Exempt Notes, the applicable Pricing Supplement, and references should be construed accordingly.

### *Arranger and Dealer*

**Banco Comercial Português, S.A.**

The date of this Base Prospectus is 3 March 2017.

Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes issued under the Programme during the period of twelve months after the date of this Base Prospectus to be admitted to the Official List of the Irish Stock Exchange (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**").

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive. "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes, for the purposes of this Base Prospectus only, any relevant implementing measure in a relevant Member State of the European Economic Area. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC of the European Parliament and of the Council (the "**Markets in Financial Instruments Directive**") or which are to be offered to the public in any Member State of European Economic Area (the "**EEA**").

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which will be filed with the Central Bank and published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)). Copies of the Final Terms will be available from the specified office set out below of the Portuguese Paying Agent or the Principal Paying Agent (as defined below).

As at the date of this Base Prospectus short-term and long-term senior obligations of the Issuer are rated, respectively, "NP" and "B1" by Moody's Investors Service España, S.A. ("**Moody's España**"), "B" and "BB-" by Standard & Poor's Credit Market Services Europe Limited Branch en España ("**Standard & Poor's**"), "B" and "BB-" by Fitch Ratings Ltd. (UK) ("**Fitch**") and "R-3" and "BB (high)" by DBRS Ratings Limited ("**DBRS**").

Each of Moody's España, Standard & Poor's, Fitch and DBRS is established in the European Union and is registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**").

As such Moody's, Moody's España, Standard & Poor's, Fitch and DBRS are included in the list of rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Responsible Person (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealer(s) expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

## **IMPORTANT INFORMATION RELATING TO NON-EXEMPT OFFERS OF NOTES**

### **Restrictions on Non-exempt offers of Notes in relevant Member States**

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**". This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of Notes in each Member State in relation to which the Issuer has given its consent as specified in the applicable Final Terms (each specified Member State a "**Non-exempt Offer Jurisdiction**" and together the "**Non-Exempt Offer Jurisdictions**"). Any person making or intending to make a Non-exempt Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent to the use of this Base Prospectus as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" and provided such person complies with the conditions attached to that consent.

Save as provided above, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any Non-exempt Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### **Consent given in accordance with Article 3.2 of the Prospectus Directive**

In the context of a Non-exempt Offer of such Notes, the Issuer accepts responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an "**Investor**") who purchases any Notes in a Non-exempt Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Conditions to Consent*" below.

Neither the Issuer or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation

to any Non-exempt Offer and neither the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, the Issuer has not authorised the making of any Non-exempt Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and neither the Issuer or, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.**

If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person who is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

### ***Consent***

In connection with each Tranche of Notes and subject to the conditions set out below under "*Common Conditions to Consent*":

### ***Specific Consent***

- (a) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Notes by:
  - (i) the relevant Dealer(s) or Manager(s) stated in the applicable Final Terms;
  - (ii) any financial intermediaries specified in the applicable Final Terms; and
  - (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website ([www.millenniumbcp.pt](http://www.millenniumbcp.pt)) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer.

### ***General Consent***

- (b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the relevant Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Notes by any financial intermediary which satisfies the following conditions:
  - (i) it is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC, as amended); and
  - (ii) it accepts the Issuer's offer to grant consent to the use of this Base Prospectus by publishing on its website the following statement (with the information in square brackets completed with the relevant information) (the "**Acceptance Statement**"):

**"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Banco Comercial Português, S.A. (the "Issuer"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such**

**consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly."**

The "**Authorised Offeror Terms**", being the terms to which the relevant financial intermediary agrees in connection with using this Base Prospectus, are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the relevant Issuer and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
  - (I) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor;
  - (II) comply with the restrictions set out under "*Subscription and Sale and Transfer Restrictions*" in this Base Prospectus which would apply as if it were a Dealer;
  - (III) ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
  - (IV) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
  - (V) comply with applicable anti-money laundering, anti-bribery, anti-corruption and *know your client* Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
  - (VI) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the relevant Dealer, the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti bribery, anti-corruption and *know your client* Rules applying to the Issuer and/or the relevant Dealer, as the case may be;
  - (VII) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
  - (VIII) immediately inform the Issuer and the relevant Dealer if at any time it becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
  - (IX) comply with the conditions to the consent referred to under "*Common Conditions to Consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Public Offer as specified in the applicable Final Terms;

- (X) make available to each potential Investor in the Notes this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus and the applicable Final Terms;
- (XI) if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within its respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in this Base Prospectus;
- (XII) ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (XIII) co-operate with the Issuer and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) and such further assistance as is reasonably requested upon written request from the Issuer or the relevant Dealer. For this purpose, relevant information is information that is available to or can be acquired by the relevant financial intermediary:
  - (i) in connection with any request or investigation by the Central Bank or any other regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or
  - (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by the Central Bank and/or any other regulator of competent jurisdiction from time to time; and/or
  - (iii) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or so as to allow the Issuer or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;
- (XIV) during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer; and

- (XV) either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests the relevant financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- (B) agrees and undertakes to indemnify each of the relevant Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons (each a "**Relevant Party**")) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer. Neither the Issuer or any Dealer shall have any duty or obligation, whether as fiduciary or trustee for any Relevant Party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this provision; and
- (C) agrees and accepts that:
- (I) the contract between the Issuer and the relevant financial intermediary formed upon acceptance by the relevant financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
  - (II) subject to paragraph (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;
  - (III) for the purposes of paragraphs (II) and (IV) herein, the Issuer and the financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
  - (IV) to the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
  - (V) each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) above are together the "**Authorised Offerors**" and each an "**Authorised Offeror**".

Any Authorised Offeror falling within paragraph (b) above who meets the conditions set out in paragraph (b) and the other conditions stated in "*Common Conditions to Consent*" below and who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

### ***Common Conditions to Consent***

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Non-exempt Offer are (in addition to the conditions described in paragraph (a) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends (as at the date of this Base Prospectus) to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Ireland, Portugal and the United Kingdom under the Programme, as specified in the applicable Final Terms.

The consent referred to above relates to Offer Periods (if any) occurring within 12 months from the date of this Base Prospectus.

As of the date of this Base Prospectus, the only relevant Member State which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any relevant Member States are so specified) as indicated in (ii) above, will be Ireland, Portugal and the United Kingdom and accordingly each Tranche of Notes may only be offered to Investors as part of a Non-exempt Offer in Ireland, Portugal and the United Kingdom as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### **ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS**

**AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NEITHER THE ISSUER OR, FOR THE AVOIDANCE OF DOUBT, ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.**

### ***Non-Exempt Offers: Issue Price and Offer Price***

Notes to be offered pursuant to a Non-Exempt Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Non-Exempt Offer and will depend, amongst other things, on prevailing market conditions at that time. The offer price at which the Authorised Offeror will offer such Notes to the Investor will be the Issue Price or (where agreed with the relevant Dealer) such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Notes to such Investor. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Notes to such Investor.



## IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealer(s) do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealer(s) which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither the Offering Documents nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession the Offering Documents or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of the Offering Documents and the offering and sale of Notes. In particular, there are restrictions on the distribution of the Offering Documents and the offer or sale of Notes in, without limitation, Japan, the United States and the EEA (including, without limitation, Portugal) (see "*Subscription and Sale and Transfer and Selling Restrictions*").

Neither the Issuer or the Dealer(s) makes any representation to any investor in the Notes regarding the legality of its investments under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable Supplement to this Base Prospectus and all the information contained in the Final Terms;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the specified currency for principal or interest payments of the Notes is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;
- (e) in respect of Notes linked to the performance of, without limitation, one or more, or a combination of, underlying shares or depositary receipts, indices, rates of interest, other rates, foreign exchange rates, funds, inflation indices and/or entities (together, "**Reference Items**" and each, an "**Reference Item**") (in respect of such Notes, together, "**Reference Item Linked Notes**" and each an "**Reference Item Linked Note**"), understands thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the nature of each such Reference Item Linked Note; and

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

None of the Issuer, Dealers or any affiliate of the Issuer has given, and will not give, to any potential investor in Notes (either directly or indirectly) any assurance, advice, recommendation or guarantee as to the merits, performance or suitability of such Notes, and the investor should be aware that the Issuer is acting as an arm's-length contractual counterparty and not as an advisor or fiduciary.

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

Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. 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.

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

The Notes have not and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold, pledged, assigned, delivered or otherwise transferred, exercised or redeemed, at any time, within the United States or to, or for the account or benefit of, U.S. persons (see *Subscription and Sale and Transfer Restrictions* below).

All references in this Base Prospectus to (i) "**U.S. dollars**", "**USD**", "**U.S.\$**", "**\$**" and "**U.S. cent**" refer to the currency of the United States of America, (ii) "**Sterling**" and "**£**" refer to the currency of the United Kingdom, and (iii) "**Euro**", "**EUR**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union amended from time to time.

This Base Prospectus is drawn up in the English language. In case there is any discrepancy between the English text and the Portuguese text, the English text stands approved for the purposes of approval under the Prospectus (Directive 2003/71/EC) Regulations 2005.

No website referred to in this Base Prospectus forms part of this Base Prospectus.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

## TABLE OF CONTENTS

SUMMARY .....	12
RISK FACTORS .....	65
DOCUMENTS INCORPORATED BY REFERENCE .....	137
TERMS AND CONDITIONS OF THE NOTES .....	139
Annex 1      Additional Terms and Conditions for Payouts .....	174
Annex 2      Additional Terms and Conditions for Index Linked Notes .....	209
Annex 3      Additional Terms and Conditions for Equity Linked Notes .....	224
Annex 4      Additional Terms and Conditions for Inflation Linked Notes .....	243
Annex 5      Additional Terms and Conditions for Fund Linked Notes .....	250
Annex 6      Additional Terms and Conditions for Foreign Exchange (FX) Rate Linked Notes .....	268
Annex 7      Additional Terms and Conditions for Credit Linked Notes .....	281
FORM OF NOTES .....	349
FORM OF FINAL TERMS .....	352
FORM OF PRICING SUPPLEMENT .....	416
USE OF PROCEEDS .....	475
DESCRIPTION OF BANCO COMERCIAL PORTUGUÊS, S.A. ....	476
TAXATION .....	561
CLEARING AND SETTLEMENT .....	573
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS .....	575
GENERAL INFORMATION .....	578

## SUMMARY

### SUMMARY

*Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary explaining why it is not applicable.*

#### Section A– Introduction and warnings

Element	
A.1	<p><b>This summary should be read as an introduction to the Base Prospectus and the Final Terms.</b></p> <p><b>Any decision to invest in any Notes should be based on a consideration of the Base Prospectus as a whole, including any documents incorporated by reference, and the Final Terms.</b></p> <p><b>Where a claim relating to information contained in the Base Prospectus and the Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the Final Terms before the legal proceedings are initiated.</b></p> <p><b>Civil liability attaches to the Issuer in any such Member State solely on the basis of this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus and the Final Terms or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of the Base Prospectus and the Final Terms, key information in order to aid investors when considering whether to invest in the Notes.</b></p>
A.2	<p>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under Directive 2003/71/EC (as amended) (the "<b>Prospectus Directive</b>") to publish a prospectus. Any such offer is referred to as a "<b>Non-exempt Offer</b>". <i>(Delete this paragraph when preparing an issue specific summary)</i></p> <p><b>[Issue specific summary:</b></p> <p>[Not Applicable – the Notes are not being offered to the public as part of a Non-exempt Offer.]</p> <p><i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of the Base Prospectus in connection with a Non-exempt Offer of Notes by the Manager/Dealer(s)[, <i>[names of specific financial intermediaries listed in final terms.]</i> [and] [each financial intermediary whose name is published on the Issuer's website [<a href="http://www.millenniumbcp.pt">www.millenniumbcp.pt</a>] and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer.][and any financial intermediary which is authorised to make such offers under [the Financial Services and Markets Act 2000, as amended, or other] applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) and publishes on its website the following statement (with the information in square brackets being duly completed):</p> <p><b>"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by [ ] (the "Issuer"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly."</b></p>

## SUMMARY

	<p><i>Offer period:</i> The Issuer's consent referred to above is given for Non-exempt Offers of Notes during [offer period for the issue to be specified here] (the "<b>Offer Period</b>").</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent are that such consent (a) is only valid during the Offer Period; and (b) only extends to the use of the Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in [specify each relevant Member State in which the particular Tranche of Notes can be offered].</p> <p><b>AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.]</b></p>
--	---

## Section B – Issuer

Element	Title	
<b>B.1</b>	<b>Legal and commercial name of the Issuer:</b>	Banco Comercial Português, S.A. (" <b>BCP</b> " or the " <b>Issuer</b> ")
<b>B.2</b>	<b>Domicile/ legal form/ legislation/ country of incorporation:</b>	BCP is a limited liability company incorporated and domiciled in Portugal under the Portuguese Companies Code and Decree-Law No. 298/92 of 31 December (as amended from time to time, the " <b>Banking Law</b> ").
<b>B.4b</b>	<b>Trend information:</b>	<p>During the first nine months of 2016, the Portuguese banks continued to develop their activities within a particularly difficult context. The Portuguese economy continues to show moderate growth and the banks are operating within a context of very low interest rates, which exercise pressure on the financial margin. Moreover, the Portuguese Banks have a significant number of non productive assets in their balance sheets.</p> <p>The 2016 and 2017 projections for the Portuguese economy of Banco de Portugal were both downgraded to 1.3% in 2016 and 1.6% in 2017. The Gross Domestic Product ("<b>GDP</b>") projection for 2018 is 1.5%. It is expected that, between 2016 and 2018, the contribution provided by net exports to GDP growth will increase in importance. Certain risks may compromise the increase of GDP in Portugal. Firstly, the deceleration of global economic activities may condition the Portuguese economy's external demand; in particular, it may condition demand from relevant commercial partners such as Angola or Brazil. Brexit also contributes to the increase in the risk of an economic deceleration in Portugal. Domestic demand may also be conditioned by the need for additional budgetary measures, since Portugal did not comply with the budgetary targets in 2015, within a context where the high levels of debt of the private sector may hinder investment, notwithstanding the potentially positive effects of the accommodative monetary policy practiced by the European Central Bank ("<b>ECB</b>").</p> <p>On 29 April, DBRS maintained the credit rating attributed to the Portuguese Republic. The eligibility of the Portuguese public debt for the ECB's extended programme for the purchase of assets depends on this credit rating. In October 2016, DBRS maintained the Republic of Portugal's long term foreign and local</p>

## SUMMARY

Element	Title	
		<p>currency issuer ratings at BBB (low) with a stable outlook. DBRS noted the possibility of a downgrade if there was a weakening in the political commitment to sustainable economic policies or deterioration in public debt dynamics.</p> <p>According to Banco de Portugal, the funding operations of Portuguese banks with the ECB decreased to EUR 23.5 billion in September 2016. This is consistent with the general trend in place since the second half of 2013. These figures show an improvement in the liquidity position of domestic banks, which has benefited from a resilient performance from deposits, namely from individuals (2.5% increase by the end of September 2016, compared to the same period of last year). Moreover, the deleveraging of the Portuguese financial sector continues and the total loans to individuals and non-financial corporations decreased by 2.0% and 4.9%, respectively, in September 2016, compared to the same period in 2015. The loan to deposit ratio of the Portuguese banking sector stood at approximately 101% at the end of the third quarter of 2016, compared to 128% at the end of 2012 and 158% at the end of 2010.</p> <p>The credit granted by BCP continues to decrease, within a context of deleveraging of the non financial economic sectors, resulting in a lower search for credit. At the same time, deposits also continued to decrease since the Bank let go of some large institutional deposits that required high remuneration, complying with a policy for the preservation of the financial margin. As the commercial gap closes, BCP has also been reducing its funding from the ECB.</p> <p>The maintenance of very low money market interest rates contributes to the decrease in the spread on term deposits of the Portuguese banks. This trend persists in 2016, more than offsetting the lower spreads in credit. By the end of 2015, the rates of the new term deposits reached values of approximately 40 basis points. The portfolio's average rate is expected to converge to these levels over the course of the following year.</p> <p>The price effect on the financial margin is expected to continue to be positive overall, reflecting the improvement of the Client interests margin (differential between the credit global rate and the global rate at which the banks remunerate the deposits). Nevertheless, the continued reduction in the credit granted (volume effect) will probably continue to condition the financial margin.</p> <p>The profitability of the Portuguese banks continues to be significantly conditioned by (i) reduced GDP growth, (ii) low inflation rates, (iii) interest rates at historically low levels for a time period much longer than was initially expected, (iv) credit contraction, reflecting the deleveraging process of the non financial private sector, which is slower within the current context of low interest rates, (v) recognition of significant amounts of impairments, and (vi) a limited reduction of operating costs in the whole system. The low profitability levels continue to limit the capacity to generate capital internally.</p> <p>The Bank has a relevant exposure to Poland where risks related to legal changes exist, including the plan for banks to return the cost of excessive foreign exchange spreads they charged their clients such as loans denominated in CHF and the introduction of the new banking tax in February 2016, which could have an impact on the Bank's financial condition. Furthermore, the Bank faces risks relating to the economic environment of certain African countries, namely Angola and Mozambique, whose economic activity is decelerating and who have also been facing a significant depreciation of their currency since the beginning of 2016.</p>

## SUMMARY

Element	Title	
		<p>The expected improvement in core income<sup>1</sup> as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2016 results, although conditioned by the economic context.</p> <p>There is increasing focus on management of the stock of problematic assets and respective hedging levels. Measures should be adopted to foster the reduction of the stock of problematic assets, along with other preventive measures, to be applied within the scope of prudential supervision and targeted at new non performing loans so as to foster a more pro active management of non performing loans. Measures should also be adopted to remove restrictions in the legal, judicial and tax systems. The share capital increases recently announced by Banco Popular Español and by Popolare may indicate an intention to anticipate the provisioning for problematic assets and increase hedging by impairment. Antonio Costa, the Prime Minister of Portugal supports a systemic solution or so called "bad bank" solution to ease the pressure brought on the Portuguese banking system from non-performing loans as well as other non productive assets, including property.</p> <p>It is not yet possible to determine the eventual impact that the resolution of Banco Espírito Santo, S.A. ("<b>BES</b>") may have on BCP, as an institution participating in the Resolution Fund created by Decree Law No. 31 A/2012, of 10 February 2012. In 2015, the periodical contributions paid by the Bank to the Resolution Fund corresponded to about 20% of the total periodical contributions paid by the banking sector. The Resolution Fund owns in full Novo Banco, S.A.'s ("<b>Novo Banco</b>") equity, valued at EUR 4.9 billion as at 31 December (of which EUR 3.9 billion from a loan granted by the State, EUR 700 million from a loan granted by a group of credit institutions, including the Bank, that are members of the Resolution Fund, and the remaining from the mobilisation of resources available to the Resolution Fund).</p> <p>The financial resources of the Resolution Fund may come (i) from contributions, initial and periodical, made by the participating institutions, (ii) from the proceeds of the contributions of the banking sector set forth by Law No. 55 A/2010, of 31 December and (iii) from the investment of resources. It may also be funded by extraordinary contributions made by participating institutions or by loans or guarantees provided by the State.</p> <p>Accordingly, the eventual impact of the Novo Banco resolution on BCP shall depend on external factors for which BCP is not responsible, including the value for which Novo Banco is sold and the type or types for hedging the eventual financial needs of the Resolution Fund. Additionally, following a clarification of Banco de Portugal, the possible contributions of the Resolution Fund from participating banks will only be recorded when they are due and payable and the contribution to the Resolution Fund should be recognised as a cost only in the year that it is due and the payment occurs. Banco de Portugal further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution applied to Novo Banco. According to Banco de Portugal, the possibility for a special contribution would appear, therefore, remote.</p> <p>On 20 December 2015, the Portuguese government and Banco de Portugal resolved to sell the activity of Banco Internacional do Funchal, S.A. ("<b>BANIF</b>") and of the main portion of its assets and liabilities to Banco Santander Totta, S.A. ("<b>BST</b>") under a resolution measure. This resolution measure, according to Banco</p>

<sup>1</sup> **Core income** – net interest income plus net fees and commission income.

## SUMMARY

Element	Title																																																	
		<p>de Portugal's press release on 20 December 2015, involves state aid of around EUR 2,255 million to cover future contingencies, of which EUR 489 million will be provided by the Resolution Fund and EUR 1,766 million directly by the State.</p> <p>Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014 ("<b>BRRD</b>") foresees a joint resolution regime in the EU enabling authorities to cope with the insolvency of bank institutions. The shareholders and creditors will have to internalise an important part of the costs associated with the insolvency of a bank, minimising taxpayers' costs. To prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail in or of other resolution tools, and to avoid the contagion risk or a bank run, the BRRD establishes that the institutions must comply with a minimum requirement for own funds and eligible liabilities ("<b>MREL</b>"). This MREL, which became effective during 2016, involves a transition period and should have implications on the issuance of debt by banking institutions. It also implies the introduction of alterations in the liability structure through the issuance of new senior debt with some subordination structure or by strengthening the Tier 2. The issuance of AT1 instruments may only be considered since the total reimbursement of the Government Subscribed Core Tier 1 Capital Instruments ("<b>GSIs</b>") and will require a framework still under discussion.</p>																																																
<b>B.5</b>	<b>Description of the Group:</b>	BCP is the ultimate parent company of the group (BCP and its subsidiaries together constitute the " <b>Group</b> ").																																																
<b>B.9</b>	<b>Profit forecast or estimate:</b>	Not Applicable – No profit forecasts or estimates have been made in the Base Prospectus.																																																
<b>B.10</b>	<b>Audit report qualifications:</b>	Not Applicable – No qualifications are contained in any audit report included in the Base Prospectus.																																																
<b>B.12</b>	<p>Selected historical key financial information:</p> <p>The table below sets out summary information extracted from BCP's audited financial statements for each of the two years ended 31 December 2014 and 31 December 2015 and from BCP's unaudited financial statements for the nine-month period ended 30 September 2016 (including comparative data), respectively:</p> <p><b>Consolidated Income Statement for the years ended 31 December, 2015 and 2014</b></p> <table> <tr> <th></th><th><b>2015</b></th><th><b>2014</b></th></tr> <tr> <td></td><td colspan="2">(Thousands of Euros)</td></tr> <tr> <td>Net interest income</td><td>1,301,575</td><td>1,116,151</td></tr> <tr> <td>Net income from banking activities</td><td>2,491,303</td><td>2,191,786</td></tr> <tr> <td>Total operating income</td><td>2,510,159</td><td>2,211,064</td></tr> <tr> <td>Operating net income</td><td>409,320</td><td>(254,810)</td></tr> <tr> <td>Net (loss) / income before income tax</td><td>402,710</td><td>(173,405)</td></tr> <tr> <td>Net (loss) / income after income tax from continuing operations</td><td>346,313</td><td>(75,730)</td></tr> <tr> <td>Income arising from discontinued operations</td><td>14,648</td><td>(40,830)</td></tr> <tr> <td>Net loss attributable to Shareholders of the Bank</td><td>235,344</td><td>(226,620)</td></tr> <tr> <td>Net income for the year</td><td>360,961</td><td>(116,560)</td></tr> </table> <p><b>Consolidated Balance Sheet as at 31 December, 2015 and 2014</b></p> <table> <tr> <th></th><th><b>2015</b></th><th><b>2014</b></th></tr> <tr> <td></td><td colspan="2">(Thousands of Euros)</td></tr> <tr> <td><b>Total Assets</b></td><td>74,884,879</td><td>76,360,916</td></tr> <tr> <td>Total Liabilities</td><td>69,204,308</td><td>71,374,009</td></tr> <tr> <td>Total Equity attributable to Shareholders of the Bank</td><td>4,623,169</td><td>4,212,536</td></tr> </table>			<b>2015</b>	<b>2014</b>		(Thousands of Euros)		Net interest income	1,301,575	1,116,151	Net income from banking activities	2,491,303	2,191,786	Total operating income	2,510,159	2,211,064	Operating net income	409,320	(254,810)	Net (loss) / income before income tax	402,710	(173,405)	Net (loss) / income after income tax from continuing operations	346,313	(75,730)	Income arising from discontinued operations	14,648	(40,830)	Net loss attributable to Shareholders of the Bank	235,344	(226,620)	Net income for the year	360,961	(116,560)		<b>2015</b>	<b>2014</b>		(Thousands of Euros)		<b>Total Assets</b>	74,884,879	76,360,916	Total Liabilities	69,204,308	71,374,009	Total Equity attributable to Shareholders of the Bank	4,623,169	4,212,536
	<b>2015</b>	<b>2014</b>																																																
	(Thousands of Euros)																																																	
Net interest income	1,301,575	1,116,151																																																
Net income from banking activities	2,491,303	2,191,786																																																
Total operating income	2,510,159	2,211,064																																																
Operating net income	409,320	(254,810)																																																
Net (loss) / income before income tax	402,710	(173,405)																																																
Net (loss) / income after income tax from continuing operations	346,313	(75,730)																																																
Income arising from discontinued operations	14,648	(40,830)																																																
Net loss attributable to Shareholders of the Bank	235,344	(226,620)																																																
Net income for the year	360,961	(116,560)																																																
	<b>2015</b>	<b>2014</b>																																																
	(Thousands of Euros)																																																	
<b>Total Assets</b>	74,884,879	76,360,916																																																
Total Liabilities	69,204,308	71,374,009																																																
Total Equity attributable to Shareholders of the Bank	4,623,169	4,212,536																																																



## SUMMARY

Element	Title	
	Total Equity	5,680,571
	<b>Total Liabilities and Equity</b>	<b>74,884,879</b>
	<b>Consolidated Income Statement for the nine-month period ended 30 September, 2016 and 2015</b>	
		<b>30 September 2016</b>
		<b>30 September 2015</b>
		<b>(represented)</b>
		(Thousands of Euros)
	Net interest income	906,988
	Total operating income	1,515,521
	Operating net income	(319,852)
	Net (loss) / income before income tax	(263,487)
	Net (loss) / income after income tax from continuing operations	(195,274)
	Income arising from discontinued operations	45,227
	Net loss attributable to Shareholders of the Bank	(251,080)
	Net income for the period	(150,047)
	<b>Consolidated Balance Sheet as at 30 September 2016 and 2015</b>	
		<b>30 September 2016</b>
		<b>30 September 2015</b>
		(Thousands of Euros)
	<b>Total Assets</b>	<b>73,041,596</b>
	Total Liabilities	68,093,234
	Total Equity attributable to Shareholders of the Bank	4,076,340
	Total Equity	4,948,362
	<b>Total Liabilities and Equity</b>	<b>73,041,596</b>
	<b>Statements of no significant or material adverse change</b>	
	Except for the share capital increase of BCP from €4,268,817,689.20 to €5,600,738,053.72 through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquired subscription rights, to subscribe for 14,169,365,580 new ordinary book entry shares without nominal value (the " <b>Rights Offering</b> "), there has been no significant change in the financial or trading position of the Group since 30 September 2016. There has been no material adverse change in the prospects of BCP or the Group since the date of the last audited annual accounts, 31 December 2015.	
<b>B.13</b>	<b>Events impacting the Issuer's solvency:</b>	Except for the Rights Offering, there are no recent events particular to BCP which are to a material extent relevant to the evaluation of its solvency.
<b>B.14</b>	<b>Dependence upon other group entities:</b>	BCP is, directly or indirectly, the ultimate holding company of all the companies in the Group and is not dependent upon other entities within the Group. However, being the ultimate holding company of the Group the activities developed by the other members of the Group have an impact on BCP.  Please also refer to Element B.5.
<b>B.15</b>	<b>Principal activities:</b>	The Group is engaged in a wide variety of banking and related financial services activities, including investment banking, asset management and insurance, in Portugal and internationally.  BCP's operations are primarily in retail banking, but it also offers a complete

## SUMMARY

Element	Title	
		range of additional financial services.
<b>B.16</b>	<b>Controlling shareholders:</b>	BCP is not aware of any shareholder or group of connected shareholders who directly or indirectly control the BCP.
<b>B.17</b>	<b>Credit ratings:</b>	<p>The Programme has not been rated.</p> <p>Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency.</p> <p><b>Issue-specific summary:</b></p> <p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].</p> <p>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.]</p> <p>[Not Applicable No specific ratings have been assigned to the debt securities at the request of or with the co-operation of the Issuer in the rating process.]</p>
<b>B.18</b>	<b>Description of the Guarantee:</b>	The Notes are not guaranteed.

## Section C – Securities

Element	Title	
<b>C.1</b>	<b>Description of Notes/ISIN:</b>	<p>The Notes described in this section are debt securities with a denomination of less than €100,000 (or its equivalent in any other currency).</p> <p>The Notes to be issued under the Programme may be Fixed Rate Notes, Floating Rate Notes, Specified Interest Amount Notes, Index Linked Notes, Equity Linked Notes, Inflation Linked Notes, Fund Linked Notes, Credit Linked Notes, Foreign Exchange (FX) Rate Linked Notes, Zero Coupon Notes, Partly Paid Notes or a combination of the foregoing.(Delete this paragraph when preparing an issue specific summary)</p> <p><b>(Issue specific summary:)</b></p> <p>[Title of Notes: [<i>specify</i>]  Series Number: [<i>specify</i>]  Tranche Number: [<i>specify</i>]  ISIN Code: [<i>specify</i>]  Common Code: [<i>specify</i>]]</p> <p>[The Notes will be consolidated and form a single series with [<i>identify earlier Tranches</i>] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [<i>date</i>]]</p>
<b>C.2</b>	<b>Currency:</b>	<p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue. Payments made in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.(Delete this paragraph when preparing an issue specific summary.)</p> <p><b>(Issue specific summary:)</b></p>

## SUMMARY

Element	Title	
		[The specified currency of this Series of Notes is <i>[specify]</i> [for the purpose of the Specified Denomination and calculations and, as Settlement Exchange Rate provisions apply, <i>[specify]</i> for the purpose of [certain][redemption] payments [of interest][only][(and, accordingly, [all][certain such] amounts calculated under the Notes in <i>[specify]</i> shall be converted to <i>[specify]</i> by reference to the prevailing <i>[specify]/[specify]</i> exchange rate)].]
C.5	<b>Restrictions on transferability:</b>	Not Applicable - There are no restrictions on the free transferability of the Notes. However, selling restrictions apply to offers, sales or transfers of the Notes under the applicable laws in various jurisdictions. A purchaser of the Notes is required to make certain agreements and representations as a condition to purchasing the Notes.
C.8	<b>Rights attached to the Notes, including ranking and limitations on those rights:</b>	<p><i>Status of the Notes</i></p> <p>The Notes and the relative coupons and receipts are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank <i>pari passu</i>, among themselves and with all present and future unsecured and unsubordinated obligations of the Issuer, save for those that have been accorded by law preferential rights.</p> <p><i>Negative pledge</i></p> <p>The Notes do not have the benefit of a negative pledge.</p> <p><i>Events of default</i></p> <p>The terms of the Notes will contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> <li>(a) a default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them after the due date therefor; or</li> <li>(b) the Issuer fails to perform or observe any of its other obligations in respect of the Notes or (in the case of book entry notes) the Instrument and ((in the case of Notes other than book entry notes) except where such default is not capable of remedy where no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or (in the case of Notes other than book entry notes) such longer period) after notice has been given to the Issuer requiring the same to be remedied; or</li> <li>(c) the repayment of any indebtedness owing by the Issuer is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any indebtedness or in the honouring of any guarantee or indemnity in respect of any indebtedness provided that no such event referred to in this sub paragraph (iii) shall constitute an Event of Default unless the indebtedness whether alone or when aggregated with other indebtedness relating to all (if any) other such events which shall have occurred shall exceed USD 25,000,000 (or its equivalent in any other currency or currencies) or, if greater, an amount equal to 1% of the Issuer's Shareholders' Funds (as defined below); or</li> <li>(d) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction previously approved</li> </ul>

## SUMMARY

Element	Title	
		<p>by an Extraordinary Resolution of the Noteholders); or</p> <p>(e) the Issuer shall cease to carry on the whole or substantially the whole of its business (other than for the purpose of an amalgamation, merger or reconstruction previously approved by an Extraordinary Resolution of the Noteholders); or</p> <p>(f) the Issuer shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally; or</p> <p>(g) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or in relation to the whole or a substantial part of its assets or a temporary manager of the Issuer is appointed by the Bank of Portugal or an encumbrancer shall take possession of the whole or a substantial part of the assets of the Issuer, or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of the assets of the Issuer and in any of the foregoing cases it or he shall not be discharged within 60 days; or</p> <p>(h) the Issuer sells, transfers, lends or otherwise disposes of the whole or a substantial part of its undertaking or assets (including shareholdings in its subsidiaries or associated companies) and such disposal is substantial in relation to the assets of the Issuer and its subsidiaries as a whole, other than selling, transferring, lending or otherwise disposing on an arm's length basis then,</p> <p>(A) in respect of Notes other than book entry notes, the holder of any note may give written notice to the Issuer at the specified office of the Principal Paying Agent that the Notes are, and they shall accordingly become, immediately due and repayable at their Early Redemption Amount (as described in C.9 below) together with accrued interest; and</p> <p>(B) in respect of book entry notes, any Holder of book entry notes may give notice to the Issuer and to the Portuguese paying agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese paying agent, that the book entry notes held by such Holder of book entry notes are, and they shall accordingly become, immediately due and repayable at their Early Redemption Amount (as described in C.9 below) together with accrued interest).</p> <p>As used above, "<b>Issuer's Shareholders' Funds</b>" means, at any relevant time, a sum equal to the aggregate of the Issuer's shareholders' equity as certified by the Directors of the Issuer by reference to the latest audited consolidated financial statements of the Issuer.</p>
C.9	Payment Features:	<p><i>(Issue specific summary:)</i></p> <p>[Issue Price: <i>[specify]</i> per cent. of the aggregate nominal amount/<i>[specify]</i> per Note]</p> <p>Issue Date: <i>[specify]</i></p> <p>Calculation Amount: <i>[specify]</i></p>

## SUMMARY

Element	Title	
		<p>Maturity Date: <i>[specify]</i></p> <p>Early Redemption Amount: <i>[specify]</i> [the amortised face amount][the fair market value of the Notes less associated costs]</p> <p>[The Notes bear interest [from their date of issue/from <i>[specify]</i>] at the fixed rate of <i>[specify]</i> per cent. per annum. The yield of the Notes is <i>[specify]</i> per cent. Interest will be paid [annually](<i>insert other period</i>) in arrear on [and <i>[specify]</i>][<i>[specify]</i>] in each year. The first interest payment will be made on <i>[specify]</i>.</p> <p>[The Notes bear interest [from their date of issue/from <i>[specify]</i>] at floating rates calculated by reference to <i>[specify reference rate for Notes being issued]</i> [plus/minus] a margin of <i>[specify]</i> per cent. Interest will be paid [monthly][quarterly] in arrear on <i>[specify]</i> (<i>insert further dates if required</i>) and <i>[specify]</i> [in each year], subject to adjustment for non-business days. The first interest payment will be made on <i>[specify]</i>.</p> <p>[The Notes bear interest in the amount[s] so specified, payable on <i>[specify]</i>]</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p>[[The/each] rate of interest is determined on the basis set out in Element C.10 (<i>Derivative component in the interest payments</i>)]</p> <p><b>Final Redemption</b></p> <p>Subject to any prior purchase and cancellation or early redemption, each Note will be redeemed on the [Maturity Date specified in Element C.16 ("<i>Expiration or maturity date of the Notes</i>") below][<i>[specify]</i>] at [par/<i>[specify]</i>] per cent. of the nominal amount/<i>[specify]</i>[an amount determined in accordance with the methodology set out below] (<i>Complete following provisions on the same basis as followed in completing the Final Terms on the basis of the Payout Conditions, e.g. completing terms and using suffixes or adding a table where appropriate</i>).</p> <p><b>"Redemption (i)"</b></p> <p>FR Value</p> <p><b>"Redemption (ii)" - "Call"</b></p> <p>(<i>Insert the following if no cap or floor is applicable</i>)</p> <p>Constant Percentage + (Leverage * (FR Value – Strike Percentage)) * RI FX Rate</p> <p>(<i>Insert the following if a floor is applicable</i>)</p> <p>Constant Percentage + (Leverage * Max [Call Floor Percentage; Additional Leverage * (FR Value – Strike Percentage)]) * RI FX Rate</p> <p>(<i>Insert the following if a cap is applicable</i>)</p> <p>Constant Percentage + (Leverage * Min [Call Cap Percentage; Additional Leverage * (FR Value – Strike Percentage)]) * RI FX Rate</p> <p>(<i>Insert the following if a cap and a floor are applicable</i>)</p>

## SUMMARY

Element	Title	
		<p>Constant Percentage + (Leverage * Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage * (FR Value – Strike Percentage) + Call Spread Percentage]]) * RI FX Rate</p> <p><b>"Redemption (iii)" - "Put"</b></p> <p><i>(Insert the following if no cap or floor is applicable)</i></p> <p>Constant Percentage + (Leverage * (Strike Percentage – FR Value)) * RI FX Rate</p> <p><i>(Insert the following if a floor is applicable)</i></p> <p>Constant Percentage + (Leverage * Max [Put Floor Percentage; Additional Leverage * (Strike Percentage – FR Value)]) * RI FX Rate</p> <p><i>(Insert the following if a cap is applicable)</i></p> <p>Constant Percentage + (Leverage * Min [Put Cap Percentage; Additional Leverage * (Strike Percentage – FR Value)]) * RI FX Rate</p> <p><i>(Insert the following if a cap and a floor are applicable)</i></p> <p>Constant Percentage + (Leverage * Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage – Put Leverage * (Strike Percentage – FR Value)]) * RI FX Rate</p> <p><b>"Redemption (iv)"</b></p> <p>Call Constant Percentage + (Leverage * (Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage * FR Value + Call Strike Percentage]])) * RI FX Rate + (Additional Leverage * (Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage – Put Leverage * FR Value]])) * RI FX Rate</p> <p><b>"Redemption (v)" - "Multiplier"</b></p> <p>Constant Percentage 1 + (Constant Percentage 2 + Multiplier Number * Constant Percentage 3) * FR Value</p> <p><b>"Redemption (vi)" - "Digital"</b></p> <p>(A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:</p> <p>[Constant Percentage 1][select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>Otherwise:</p> <p>(B) [Constant Percentage 2][select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive); for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A)][no Final</p>

## SUMMARY

Element	Title	
		<p>Redemption Amount will be payable and Physical Delivery will apply].</p> <p><b>"Redemption (vii)" - "Digital with Knock-in"</b></p> <p>(A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred:</p> <p>[Constant Percentage 1][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)</i>][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>Otherwise:</p> <p>(B) [Constant Percentage 2][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)</i>](for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A))[no Final Redemption Amount will be payable and Physical Delivery will apply].</p> <p><b>"Redemption (viii)" – "Strike Podium n Conditions"</b></p> <p>(A) If the Final Redemption Condition 1 is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:</p> <p>[Constant Percentage 1][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)</i>][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>(B) If the Final Redemption Condition [2] is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and Final Redemption Condition [1] is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period][and no Knock-in Event has occurred]</p> <p>[Constant Percentage 2][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)</i>](for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A))[no Final Redemption Amount will be payable and Physical Delivery will apply];</p> <p>(C) Otherwise:</p> <p>[Constant Percentage 3][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)</i>](for the avoidance of doubt the selected Final Payout Formula for this paragraph (C) may be different from the Final Payout Formula for any of the preceding paragraphs)[no Final Redemption Amount will be payable and Physical Delivery will apply].</p> <p>(The above provisions may be duplicated in case more than two Final Redemption Conditions apply)</p> <p><b>"Redemption (ix)" - "Versus Standard"</b></p>

## SUMMARY

Element	Title	
		<p>(A) If no Knock-in Event has occurred:</p> <p>[Constant Percentage 1][<i>select and insert the Final Payout Formula from any one of "Redemption (i) " to "Redemption (v) – Multiplier" (inclusive)</i>][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>(B) If a Knock-in Event has occurred:</p> <p>[Min [Constant Percentage 2; FR Value]][Constant Percentage 2][no Final Redemption Amount will be payable and Physical Delivery will apply].</p> <p><b>"Redemption (x)" - "Versus"</b></p> <p>(A) If no Knock-in Event has occurred:</p> <p>[Constant Percentage 1][<i>select and insert the Final Payout Formula from any one of "Redemption (i) " to "Redemption (v) – Multiplier" (inclusive)</i>][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>(B) If a Knock-in Event has occurred:</p> <p>[Max [Constant Percentage 2 + Leverage * Option ; 0]][Constant Percentage 2][no Final Redemption Amount will be payable and Physical Delivery will apply].</p> <p><b>"Redemption (xi)" - "Knock-in Standard"</b></p> <p>(A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:</p> <p>[100% + FR Additional Rate][<i>select and insert the Final Payout Formula from any one of "Redemption (i) " to "Redemption (v) – Multiplier" (inclusive)</i>][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>(B) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred:</p> <p>[100% + Coupon Airbag Percentage][<i>select and insert the Final Payment Formula from any one of "Redemption (i) " to "Redemption (v) – Multiplier" (inclusive); for the avoidance of doubt, the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A)</i>][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>(C) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and a Knock-in Event has occurred:</p> <p>[Min [Constant Percentage; FR Value]][Constant Percentage 2][<i>select and insert the Final Payout Formula from any one of "Redemption (i) " to "Redemption (v) - Multiplier" (inclusive); for the avoidance of doubt, the selected Final Payout Formula for this paragraph (C) may be different from</i></p>



## SUMMARY

Element	Title	
		<p><i>the Final Payout Formula for the preceding paragraphs</i>][no Final Redemption Amount will be payable and Physical Delivery will apply].</p> <p><b>"Redemption (xii)" - "Twin Win"</b></p> <p><i>(Insert the following if a cap is not applicable)</i></p> <p>(A) If a Knock-out Event has occurred:</p> <p>[Constant Percentage 1 + (Max [Floor Percentage; Lever Down * FR Value]) * RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>(B) If no Knock-out Event has occurred:</p> <p>[Constant Percentage 2 + (Lever Up 1 * Max [Strike Percentage – FR Value; Floor Percentage 1]) * RI FX Rate + (Lever Up 2 * Max [FR Value – Strike Percentage 1; Floor Percentage 2]) * RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]</p> <p><i>(Insert the following if a cap is applicable)</i></p> <p>(A) If a Knock-out Event has occurred:</p> <p>[Constant Percentage + (Max [Floor Percentage; Lever Down * FR Value]) * RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]; or</p> <p>(B) If no Knock-out Event has occurred:</p> <p>[Constant Percentage 2 + (Lever Up 1 * Max [Strike Percentage – FR Value; Floor Percentage 1]) * RI FX Rate + (Lever Up 2 * Min [Cap Percentage; Max [FR Value – Strike Percentage 1; Floor Percentage 2]]) * RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply].</p> <p><b>"Redemption (xiii)" - "Himalaya"</b></p> $ConstantPercentage1 + Leverage * Max \left[ \frac{1}{TotalM} * \sum_{i=1}^M Max[BestLockValue(i) - StrikePercentage(i); LocalFloorPercentage(i)]; 0 \right]$ <p><b>"Redemption (xiv)" - "Booster"</b></p> <p>(A) If the Final Redemption Condition is satisfied in respect of a ST Redemption Valuation Date[in the][ST Redemption Valuation Period]:</p> <p>Constant Percentage 1 + Max [0%; Booster Percentage* (FR Value –Strike Percentage)]; or</p> <p>(B) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][in the][ST Redemption Valuation Period] and no Knock-in Event has occurred:</p> <p>Constant Percentage 2; or</p> <p>(C) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][in the] [ST Redemption Valuation Period] and a Knock-in Event has occurred:</p> <p>Min [Constant Percentage 3; FR Value][no Final Redemption Amount will be</p>

## SUMMARY

Element	Title	
		<p>payable and Physical Delivery will apply]</p> <p><b>"Redemption (xv)" - "Bonus"</b></p> <p>(A) If no Knock-in Event has occurred:</p> <p>Constant Percentage 1 + Max [Bonus Percentage; Leverage (FR Value –Strike Percentage)]; or</p> <p>(B) Otherwise:</p> <p>[FR Value][no Final Redemption Amount will be payable and Physical Delivery will apply]</p> <p><b>"Redemption (xvi)" - "Dual Currency Digital"</b></p> <p>(A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period][and no Knock-in Event has occurred]:</p> <p>[Constant Percentage 1][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive)</i>]; or</p> <p>(B) Otherwise:</p> <p>[Constant Percentage 2][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive)</i>; for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A)] [and the Settlement Exchange Rate Provisions shall apply with respect to the payment of the Final Redemption Amount[.][ which, for the avoidance of doubt shall be an amount equal to [<i>specify currency and amount</i>] per Calculation Amount]].</p> <p><b>"Redemption (xvii)" - "Lock-in"</b></p> <p>(A) If the Lock-in Redemption Condition is satisfied in respect of [a][the] [ST Redemption Valuation Date][ST Redemption Valuation Period]:</p> <p>[Constant Percentage [1]][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive)</i>; for the avoidance of doubt the selected Final Payout Formula for this paragraph (A) may be different from the Final Payout Formula for paragraph (B) or (C)]; or</p> <p>(B) If the Lock-in Redemption Condition has not been satisfied in respect of [a][the] [ST Redemption Valuation Date][ST Redemption Valuation Period] and a Knock-in Event has occurred:</p> <p>[Constant Percentage [2]][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive)</i>; for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A) or (C)]; or</p> <p>(C) If a Knock-in Event has not occurred [and the Lock-in Redemption Condition has not been satisfied in respect of [a][the] [ST Redemption Valuation Date][ST Redemption Valuation Period]]:</p> <p>[Max [Floor Percentage; FR Value]][<i>select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive)</i>; for the avoidance of doubt the selected Final Payout Formula for this paragraph (C) may be different from the Final Payout Formula for paragraph (A) or (B)].</p>

## SUMMARY

Element	Title	
		<p><b><i>Automatic Early Redemption</i></b></p> <p>If an Automatic Early Redemption Event occurs, then the Automatic Early Redemption Amount payable per Note of a nominal amount equal to the Calculation Amount will be any of the following:</p> <p>If ST Automatic Early Redemption is specified in the Final Terms, then any of the two following formula shall be inserted and completed in Automatic Early Redemption Amount:</p> <p>Calculation Amount * (AER Percentage + AER Additional Rate)</p> <p>If no Knock-in Event has occurred:</p> <p>[Constant Percentage 1]</p> <p>If a Knock-in Event has occurred:</p> <p>[Min [Constant Percentage 2; Leverage * FR Value]</p> <p>If Target Automatic Early Redemption is specified in the Final Terms, the following formula shall be inserted and completed in the Automatic Early Redemption Amount:</p> <p>Calculation Amount * (100% + Final Interest Rate);</p> <p>For these purposes:</p> <p><b>"Automatic Early Redemption Event"</b> means AER Value is [greater than][greater than or equal to][less than][less than or equal to], the Automatic Early Redemption [Level][Price](repeat as necessary).</p> <p><b>"Automatic Early Redemption [Level/Price]"</b> means [specify level/price]</p> <p><b>"Automatic Early Redemption Range"</b> means [specify]</p> <p><b><i>Entitlement Amounts</i></b></p> <p>Where Physical Delivery applies the Notes will be redeemed by delivery of the Entitlement Amount determined pursuant to Condition 6(a):</p> <p>(i) being a nominal amount of the Relevant Asset equal to [specify][the Aggregate Nominal Amount]; or</p> <p>(ii) determined as follows:</p> <p>(Complete following provisions on the same basis as followed in completing the Final Terms on the basis of the Payout Conditions, completing terms and using suffixes where appropriate)</p> <p>Calculation Amount / (Constant Percentage * Performing RI Strike Price * FX)</p> <p>The Entitlement Amount will be rounded down to the nearest unit of each Relevant Asset capable of being delivered (the <b>"Equity Element"</b>) and in lieu thereof the Issuer will pay a residual amount (the <b>"Residual Amount"</b>) equal to:</p> <p>(Entitlement Amount – Equity Element) * Physical Delivery Price * FX</p> <p><b><i>Additional Disruption Events</i></b></p> <p>Additional Disruption Events include any change of law, hedging disruption or increased cost of hedging.</p>

## SUMMARY

Element	Title	
		<p>(Set out the relevant definitions from below, completing or, where not relevant, deleting the following provisions)</p> <p><b>Definitions</b>  (Please also see definitions contained in Element C.10 (Derivative component in the interest payments) (or insert relevant definitions from that element here))</p> <p>"<b>Additional Leverage</b>" means [specify percentage].</p> <p>"<b>AER Additional Rate</b>" means, in respect of a [ST AER Valuation Date] or [ST AER Valuation Period], [the AER Rate][AER Rate DCF][AER Rate MT][AER Value].</p> <p>"<b>AER Rate</b>" means [specify rate].</p> <p>"<b>AER Rate DCF</b>" means a percentage calculated as the product of the AER Rate and the applicable Day Count Fraction.</p> <p>"<b>AER Rate MT</b>" means the product of (a) [specify rate] and (b) the number of [Interest Periods][ST Valuation Dates][Automatic Early Redemption Valuation Dates] from the Issue Date to [and including][but excluding] the [Interest Period in which the relevant Automatic Early Redemption Valuation Date falls][the date of the relevant Automatic Early Redemption Valuation Date].</p> <p>"<b>AER Percentage</b>" means [specify percentage].</p> <p>"<b>AER Reference Item Rate</b>" means [specify floating rate].</p> <p>"<b>AER Value</b>" means in respect of a [ST Valuation Date][ST Valuation Period]and in respect of [each][of] Reference Item (k[=[specify]] to (k[=[specify]])) [specify other relevant term from this summary].</p> <p>"<b>Barrier Percentage Strike Price</b>" means [specify percentage]</p> <p>"<b>Basket</b>" means (a) if the relevant Reference Items are indices, the basket of indices as specified in the Final Terms; (b) if the relevant Reference Items are shares, the basket of shares as specified in the Final Terms; (c) if the relevant Reference Items are inflation indices, a basket composed of each inflation index specified in the Final Terms; (d) if the relevant Reference Items are fund shares, the fund basket as specified in the Final Terms; (e) if the relevant Reference Items are subject currencies, a basket composed of each subject currency specified in the Final Terms; and (f) in the case of Reference Items which are shares, ETFs and/or indices, where applicable, a basket of shares, ETFs and/or indices, as specified in the Final Terms in each case subject to Weightings.</p> <p>"<b>Best Lock Value(i)</b>" means, in respect of a [ST Valuation Date] [or ST Valuation Period], the highest RI Value on such [ST Valuation Date] [ST Valuation Period] of the Reference Item(s) in Himalaya Basket(i).</p> <p>"<b>Best Replace Percentage</b>" means [specify percentage].</p> <p>"<b>Bonus Percentage</b>" means [specify percentage].</p> <p>"<b>Booster Percentage</b>" means [specify percentage].</p>

## SUMMARY

Element	Title	
		<p>"<b>Call Cap Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Call Constant Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Call Floor Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Call Leverage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Call Spread Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Call Strike Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Cap Percentage [1][2]</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Constant Percentage [1][2][3][4]</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Coupon Airbag Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Current Interest Period</b>" means, in respect of an Automatic Early Redemption Valuation Date, the Interest Period during which such Automatic Early Redemption Valuation Date falls.</p> <p>"<b>EDS</b>" means <math>\text{Max} [\text{Floor Percentage}; \text{Min} [\text{Constant Percentage } 3 - \text{nEDS} \times \text{Loss Percentage}; 0]]</math>.</p> <p>"<b>EDS Barrier Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Entitlement Value</b>" means [the Reference Item][the Worst Value][the Best Value].</p> <p>"<b>Final Coupon Rate</b>" means the Rate of Interest calculated in respect of the [Current Interest Period][Target Final Interest Period] (the "<b>Final Interest Period</b>")</p> <p>"<b>Final Day Count Fraction</b>" means the Day Count Fraction applicable to the Final Interest Period.</p> <p>"<b>Final Redemption Condition Level [1][2][3][4]</b>" means <i>[specify amount or percentage or number]</i>.</p> <p>"<b>Final Redemption Value</b>" means, in respect of a [ST Valuation Date][ST Valuation Period] [and in respect of [each][of] Reference Item (k=[<i>specify</i>]]) to (k=[<i>specify</i>]])] (<i>specify defined term from Payout Condition 5.2</i>).</p> <p>"<b>Floor Lock in</b>" means Constant Percentage [1] multiplied by the integer number resulting from the quotient of the Coupon Lock in and Constant Percentage [1].</p> <p>"<b>Floor Percentage [1][2]</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Forward</b>" means <math>\text{FR Value} - \text{Strike Percentage}</math>.</p> <p>"<b>FR Additional Rate</b>" means <math>[\text{FR Rate}][\text{FR MT up Rate}][\text{FR Rate DCF}][\text{FR Rate MT}]</math>.</p> <p>"<b>FR Cap Percentage</b>" means <i>[specify percentage]</i>.</p>

## SUMMARY

Element	Title	
		<p>"<b>FR Condition Level</b>" means [specify percentage, amount or number].</p> <p>"<b>FR Constant Percentage</b>" means [specify percentage].</p> <p>"<b>FR Floor Percentage</b>" means [specify percentage].</p> <p>"<b>FR Leverage</b>" means [specify percentage].</p> <p>"<b>FR MT up Rate</b>" means:</p> <p><i>(insert if cap is applicable)</i></p> <p>[Min [Max [FR Floor Percentage; FR Leverage * (FR Value - FR Strike Percentage) + FR Spread]; FR Cap Percentage] + FR Constant Percentage].]</p> <p><i>(insert if cap is not applicable)</i></p> <p>[Max [FR Floor Percentage; FR Leverage * (FR Value - FR Strike Percentage) + FR Spread + FR Constant Percentage].]</p> <p>"<b>FR Rate</b>" means [specify rate].</p> <p>"<b>FR Rate DCF</b>" means a percentage calculated as the product of the FR Rate and the applicable Day Count Fraction.</p> <p>"<b>FR Rate MT</b>" means the product of (a) [specify rate] and (b) the number of [Interest Periods][ST Valuation Dates] from and including the Issue Date to [and including][but excluding] the [Interest Period in which the relevant ST Valuation Date falls][date of the relevant ST Valuation Date].</p> <p>"<b>FR Spread</b>" means [specify percentage].</p> <p>"<b>FR Strike Percentage</b>" means [specify percentage].</p> <p>"<b>FR Value</b>" means, in respect of a [ST FR Valuation Date] [ST FR Valuation Period], [and in respect of [each][of] Reference Item (k=[specify])] to (k=[specify])], [specify relevant term from this summary].</p> <p>"<b>FX</b>" is the relevant RI FX Level(i) on the relevant Valuation Date or if that is not a Business Day the immediately succeeding Business Day.</p> <p>"<b>Himalaya Basket(i)</b>" means in respect of a ST Valuation Date(i), a Basket comprising each Reference Item in Himalaya Basket(i-1) but excluding the Reference Item in relation to Best Lock Value(i-1).</p> <p>"<b>K</b>" means [specify number], being the total number of Reference Items in the Basket.</p> <p>"<b>Knock-in Event</b>" means the Knock-in Value is,</p> <p>greater than;</p> <p>greater than or equal to;</p>

## SUMMARY

Element	Title	
		<p>less than; or</p> <p>less than or equal to,</p> <p>the Knock-in Level (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Final Terms,</p> <p>(i), (ii), (iii), or (iv) applying as specified in the Final Terms.</p> <p><b>"Knock-in Determination Day"</b> means <i>[insert date]</i>.</p> <p><b>"Knock-in Determination Period"</b> means <i>[insert dates]</i>.</p> <p><b>"Knock-in [Level][Price]"</b> means <i>[specify]</i>.</p> <p><b>"Knock-in Value"</b> means in respect of a [ST Valuation Date] [ST Valuation Period] [and in respect of [each][of] Reference Item (k=[<i>specify</i>]) to (k=[<i>specify</i>])], [<i>specify relevant term from this summary</i>].</p> <p><b>"Knock-out Event"</b> means the Knock-out Value is,</p> <p>greater than;</p> <p>greater than or equal to;</p> <p>less than; or</p> <p>less than or equal to,</p> <p>the Knock-out Level (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Final Terms,</p> <p>(i), (ii), (iii), or (iv) applying as specified in the Final Terms.</p> <p><b>"Knock-out Determination Day"</b> means <i>[insert date]</i>.</p> <p><b>"Knock-out Determination Period"</b> means <i>[insert dates]</i>.</p> <p><b>"Knock-out [Level][Price]"</b> means <i>[specify]</i>.</p> <p><b>"Knock-out Value"</b> means in respect of a [ST Valuation Date] [ST Valuation Period] [and in respect of [each][of] Reference Item (k=[<i>specify</i>]) to (k=[<i>specify</i>])], [<i>specify relevant term from this summary</i>].</p> <p><b>"Lever Down"</b> means <i>[specify percentage]</i>.</p> <p><b>"Leverage"</b> means <i>[specify percentage]</i>.</p> <p><b>"Lever Up [1][2]"</b> means <i>[specify percentage]</i>.</p> <p><b>"Local Floor Percentage"</b> means <i>[specify percentage]</i>.</p> <p><b>"Lock-in Redemption Level"</b> means <i>[specify level, amount, number or percentage]</i>.</p>

## SUMMARY

Element	Title	
		<p><b>"Lock-in Redemption Value"</b> means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period][and in respect of [each][of] Reference Item (k=[<i>specify</i>]]) to (k=[<i>specify</i>]]), [<i>specify defined term from Payout Condition 5.2</i>].</p> <p><b>"Loss Percentage"</b> means [<i>specify percentage</i>].</p> <p><b>"M"</b> means a series of ST Valuation Date or ST Valuation Periods.</p> <p><b>"Max"</b> followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a semi-colon inside those brackets.</p> <p><b>"Min"</b> followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a semi-colon inside those brackets.</p> <p><b>"Multiplier Level"</b> means [<i>specify percentage</i>].</p> <p><b>"Multiplier Number"</b> shall be the number of times that the Multiplier Condition is satisfied.</p> <p><b>"Multiplier Value"</b> means, in respect of a ST Valuation Date or ST Valuation Period, [<i>specify defined term from Payout Condition 5.2</i>]).</p> <p><b>"nEDS"</b> means the number of Reference Items in the Basket in respect of which the FR Value is [less than or equal to][less than] EDS Barrier Percentage.</p> <p><b>"Option"</b> means [Put][Put Spread][EDS][Forward].</p> <p><b>"Paid Coupon Percentage"</b> means, in respect of an Automatic Early Redemption Valuation Date or Target Determination Date, the sum of the values calculated for each Interest Period as the product of (i) the Rate of Interest and (ii) the Day Count Fraction, in each case for such Interest Period preceding the Current Interest Period (in the case of an Automatic Early Redemption Valuation Date) or the Target Final Interest Period (in the case of a Target Determination Date).</p> <p><b>"Physical Delivery Price"</b> means, in respect of an ST Valuation Date, the RI Closing Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date.</p> <p><b>"Put"</b> means Max [Strike Percentage – FR Value; 0].</p> <p><b>"Put Cap Percentage"</b> means [<i>specify percentage</i>].</p> <p><b>"Put Constant Percentage"</b> means [<i>specify percentage</i>].</p> <p><b>"Put Floor Percentage"</b> means [<i>specify percentage</i>].</p> <p><b>"Put Leverage"</b> means [<i>specify percentage</i>].</p> <p><b>"Put Spread"</b> means Min [Max [Strike Percentage – FR Value; 0]; Cap Percentage].</p> <p><b>"Put Strike Percentage"</b> means [<i>specify percentage</i>].</p> <p><b>"RA Barrier [1][2][3][4]"</b> means in respect of a Reference Item, [<i>specify percentage</i>].</p>



## SUMMARY

Element	Title	
		<p>"<b>RA Barrier Value</b>" means, in respect of an ST Coupon Valuation Date and a Reference Item, the <i>[specify relevant definition]</i>[the Reference Spread].</p> <p>"<b>Ranking</b>" means, in respect of a ST Valuation Date, the ordinal positioning of each Reference Item by RI Value from lowest RI Value to greatest RI Value in respect of such ST Valuation Date.</p> <p>"<b>Reference Item [1],[2]....[N]</b>" means <i>[specify asset(s) or reference base(s)]</i>.</p> <p>"<b>Reference Item Rate</b>" means, in respect of a ST Valuation Date or a ST Coupon Valuation Date, the relevant rate of interest determined pursuant to General Condition 3(b).</p> <p>"<b>RI Weighting</b>" means, in respect of a Reference Item, <i>[specify number, amount or percentage]</i>.</p> <p>"<b>Strike Percentage [1][2]</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Sum Rate(n)</b>" means the sum of each Rate(n) determined by the Calculation Agent on the last ST Coupon Valuation Date.</p> <p>"<b>T</b>" means <i>[specify number]</i>, being the total number of ST Coupon Valuation Dates from and including the issue date to but excluding the maturity date as specified in Element C.16 (<i>Expiration or maturity date of the Notes</i>) below.</p> <p>"<b>Target Coupon Percentage</b>" means <i>[specify percentage]</i>.</p> <p>"<b>Total M</b>" means: <i>[specify number]</i> being the total number of [ST Valuation Dates][ST Valuation Periods] for the Notes.</p> <p>"<b>Weighting</b>" means <i>[specify in relation to each Reference Item comprising the Basket]</i>.</p> <p><b>Value Definitions</b></p> <p>"<b>Accumulated Coupon</b>" means, in respect of a ST Valuation Date, the sum of the values calculated for each Interest Period including the Current Interest Period as [the product of (i)] [each Rate of Interest [and (ii) the Day Count Fraction]], in each case for such Interest Period.</p> <p>"<b>Average Basket Value</b>" means, in respect of a ST Valuation Period, the arithmetic average of the Basket Values on each ST Valuation Date in such ST Valuation Period.</p> <p>"<b>Average Best Value</b>" means, in respect of a ST Valuation Period, the arithmetic average of the Best Values on each ST Valuation Date in such ST Valuation Period.</p> <p>"<b>Average Rainbow Value</b>" means, in respect of a ST Valuation Period, the arithmetic average of the Rainbow Values on each ST Valuation Date in such ST Valuation Period.</p> <p>"<b>Average RI Value</b>" means, in respect of a Reference Item and a ST Valuation Period, the arithmetic average of the RI Values for such Reference Item on each ST Valuation Date in such ST Valuation Period.</p> <p>"<b>Average Worst Value</b>" means, in respect of a ST Valuation Period, the arithmetic</p>

## SUMMARY

Element	Title	
		<p>average of the Worst Values on each ST Valuation Date in such ST Valuation Period.</p> <p><b>"Barrier Initial Price"</b> means a price equal to the product of (x) the RI Closing Value for a Reference Item on the Strike Date and (y) the Barrier Percentage Strike Price.</p> <p><b>"Barrier Initial Maximum Price"</b> means a price equal to the product of (x) the greatest RI Closing Value for a Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.</p> <p><b>"Barrier Initial Minimum Price"</b> means an amount equal to the product of (x) the lowest RI Closing Value for such Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.</p> <p><b>"Barrier Initial Average Price"</b> means an amount equal to the product of (x) the arithmetic average of the RI Closing Values for a Reference Item on each Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.</p> <p><b>"Barrier Percentage Strike Price"</b> means <i>[specify percentage]</i>.</p> <p><b>"Basket Performance"</b> means in respect of an ST Valuation Date, (a) the Basket Value in respect of such day minus (b) 100 per cent.</p> <p><b>"Basket Value"</b> means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the RI Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.</p> <p><b>"Basket Intraday Value"</b> means, in respect of a ST Valuation Date [and any time at which a value for all the Reference Items in the Basket is calculated, the sum of the values calculated for each Reference Item in the Basket at the same time as (a) the RI Intraday Value for such Reference Item is calculated in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.</p> <p><b>"Best Intraday Value"</b> means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the highest or equal highest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date.</p> <p><b>"Best Value"</b> means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the highest or equal highest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date.</p> <p><b>"FX Average Level"</b> means the arithmetic average of the RI FX Levels for a Reference Item on each Strike Day in the Strike Period.</p> <p><b>"FX Closing Level"</b> means the RI FX Level for a Reference Item on the Strike Date.</p> <p><b>"FX Maximum Level"</b> means the greatest RI FX Level for a Reference Item on any Strike Day in the Strike Period.</p> <p><b>"FX Minimum Level"</b> means the lowest RI FX Level for a Reference Item on any Strike Day in the Strike Period.</p> <p><b>"FX Value"</b> means, in respect of a Reference Item and any day, either (i) the RI FX Level for such day divided by the RI FX Strike Level or (ii) the RI FX Strike Level divided by the RI FX Level for such day, as specified in the Final Terms.</p>

## SUMMARY

Element	Title	
		<p><b>"Highest Basket Value"</b> means, in respect of a ST Valuation Period, the highest or equal highest Basket Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Highest Best Intraday Value"</b> means, in respect of a ST Valuation Period, the highest or equal highest Best Intraday Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Highest Best Value"</b> means, in respect of a ST Valuation Period, the highest or equal highest Best Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Highest Rainbow Value"</b> means, in respect of a ST Valuation Period, the highest or equal highest Rainbow Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Highest RI Intraday Value"</b> means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Highest RI Value"</b> means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Highest Worst Value"</b> means, in respect of a ST Valuation Period, the highest or equal highest Worst Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Inflation Rate"</b> means, in respect of a [ST Valuation Date][ST Valuation Period][specify relevant term from this summary for a Reference Item which is an Inflation Index].</p> <p><b>"Initial Average Price"</b> means for a Reference Item, the arithmetic average of the RI Closing Value for a Reference Item on each Strike Day in the Strike Period.</p> <p><b>"Initial Closing Price"</b> means the RI Closing Value of a Reference Item on the Strike Date or the Initial Calculation Date.</p> <p><b>"Initial Maximum Price"</b> means the highest RI Closing Value for a Reference Item on any Strike Day in the Strike Period.</p> <p><b>"Initial Minimum Price"</b> means the lowest RI Closing Value for a Reference Item on any Strike Day in the Strike Period.</p> <p><b>"Intraday Level"</b> means, in respect of an Index and subject to the Index Linked Conditions, an amount equal to the level (which shall be deemed to be an amount in the currency of the Index) of such Index as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchanges, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date [multiplied by the FX Value].</p> <p><b>"Intraday Price"</b> means, in respect of (i) a Share or a Fund Share and subject to the Equity Linked Conditions or the Fund Linked Conditions, as applicable, an amount equal to the price of such Share or Fund Share quoted on the relevant Exchange as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date</p>

## SUMMARY

Element	Title	
		<p>[multiplied by the FX Value] and (ii) a Subject Currency and subject to the Foreign Exchange (FX) Rate Conditions, a rate determined by reference to the definition of Settlement Price in the Foreign Exchange (FX) Conditions by the Calculation Agent and for such purpose the applicable Valuation Time shall be any relevant time on the relevant ST Valuation Date.</p> <p><b>"Inverse Performance"</b> means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Inverse Value in respect of such day minus (b) 100 per cent. [and multiplied by (c) the FX Value].</p> <p><b>"Lowest Basket Value"</b> means, in respect of a ST Valuation Period, the lowest or equal lowest Basket Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Lowest Best Value"</b> means, in respect of an ST Valuation Period, the lowest or equal lowest Best Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Lowest Rainbow Value"</b> means, in respect of an ST Valuation Period, the lowest or equal lowest Rainbow Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Lowest RI Intraday Value"</b> means, in respect of a Reference Item and a ST Valuation Period, the lowest or equal lowest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Lowest RI Value"</b> means, in respect of a Reference Item and a ST Valuation period, the lowest or equal lowest RI Value for such Reference Item for all the ST Valuation Dates in such ST Valuation Period.</p> <p><b>"Lowest Worst Intraday Value"</b> means, in respect of an ST Valuation Period, the lowest Worst Intraday Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Lowest Worst Value"</b> means, in respect of an ST Valuation Period, the lowest or equal lowest Worst Value on any ST Valuation Date in such ST Valuation Period.</p> <p><b>"Performance"</b> means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Value for such Reference Item in respect of such day minus (b) 100 per cent. [, and multiplied by (c) the FX Value].</p> <p><b>"Performance Difference"</b> means in respect of a ST Valuation Date, the Performance for Reference Item (k[=<i>specify</i>])) in respect of such ST Valuation Date minus the Performance for Reference Item (k[=<i>specify</i>])) in respect of such ST Valuation Date.</p> <p><b>"Performing RI Strike Price"</b> means, in respect of a ST Valuation Date, the RI Initial Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date.</p> <p><b>"Rainbow Value"</b> means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the Ranked Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.</p> <p><b>"Ranked Value"</b> means, in respect of a ST Valuation Date, the RI Value in respect of the Reference Item with the [first][second][<i>specify</i>] Ranking in respect of such ST Valuation Date.</p>

## SUMMARY

Element	Title	
		<p><b>"Ranking"</b> means, in respect of an ST Valuation Date, the ordinal positioning of each Reference Item by RI Value from lowest RI Value to greatest RI Value in respect of such ST Valuation Date.</p> <p><b>"Rate [A][B][C]"</b> means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period], [<i>specify fixed rate</i>][<i>specify floating rate</i>][the Call Rate][the Call Spread Rate][Inflation Rate].</p> <p><b>"Reference Item Rate"</b> means, in respect of an ST Valuation Date or a ST Coupon Valuation Date, the relevant Rate of Interest determined pursuant to General Condition 4(b) and on the basis of item 25 of the applicable Final Terms.</p> <p><b>"RI Composite Value"</b> means, in respect of a Reference Item and an ST Valuation Date, the [highest or equal highest of][lowest or equal lowest of][arithmetic average of] the RI Average Values in respect of such ST Valuation Date.</p> <p><b>"Restrike Performance"</b> means, in respect of a Reference Item and a ST Valuation Date (a) (i) the RI Closing Value for such Reference Item in respect of such day divided by (ii) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or, if none, the Strike Date (b) less 100 per cent. [, and multiplied by (c) the FX Value]</p> <p><b>"RI Average Value"</b> means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of [(a)] the RI Closing Value for such Reference Item in respect of each [set of] Averaging Date[s] specified in relation to such ST Valuation Date [multiplied by (b) the FX Value].</p> <p><b>"RI Closing Value"</b> means, in respect of a Reference Item and a ST Valuation Date:</p> <ul style="list-style-type: none"> <li>(a) if the relevant Reference Item is an index, the settlement level;</li> <li>(b) if the relevant Reference Item is a share, the settlement price;</li> <li>(c) if the relevant Reference Item is an inflation index, the relevant level;</li> <li>(d) if the relevant Reference Item is an exchange traded fund share, the settlement price;</li> <li>(e) if the relevant Reference Item is a fund, the NAV per fund share;</li> <li>(f) if the relevant Reference Item is a subject currency, the settlement price;</li> <li>(g) if the relevant Reference Item is a rate of interest, the reference item rate; and</li> <li>(h) if the relevant Reference Item is a reference spread, the reference spread,</li> </ul> <p>in each case on such ST Valuation Date.</p> <p><b>"RI FX Level"</b> means, for the purpose of converting an amount in respect of a Reference Item into the Specified Notes Currency on [<i>specify date(s)</i>] [<i>(insert relevant rate source and, if applicable, observation time)</i>] (or any successor to such page or service) or if it is not reasonably practicable to determine the RI FX Level from such source, the RI FX Level will be determined by the Calculation Agent as [the rate it</p>

## SUMMARY

Element	Title	
		<p>determines would have prevailed but for such impracticability by reference to such source(s) as it deems appropriate] [the rate at which the Calculation Agent determines the relevant Reference Item amount could be converted into the Specified Notes Currency (expressed as the Calculation Agent determines appropriate) at or about the time and by reference to such source(s) as the Calculation Agent deems appropriate].]</p> <p><b>"RI FX Rate"</b> means [the RI FX Level] [the FX Value][<i>specify</i>].</p> <p><b>"RI FX Strike Level"</b> means, in respect of a Reference Item, [<i>specify rate</i>][FX Closing Level][FX Maximum Level][FX Minimum Level][FX Average Level].</p> <p><b>"RI Growing Average Value"</b> means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of [(a)][i)] the RI Closing Value for such Reference Item in respect of each Averaging Date[s] specified in relation to such ST Valuation Date on which the RI Closing Value is [equal to or][higher than] the RI Closing Value in respect of the immediately preceding Averaging Date or if none, the RI Initial Value, divided by [ii] the relevant RI Initial Value [multiplied by (b) the FX Value].</p> <p><b>"RI Initial Value"</b> means, in respect of a Reference Item, [<i>specify price</i>] [Initial Closing Price] [Initial Maximum Price] [Initial Minimum Price][Initial Average Price] [Barrier Initial Price] [Barrier Initial Maximum Price] [Barrier Initial Minimum Price] [Barrier Initial Average Price].</p> <p><b>"RI Intraday Level"</b> means:</p> <p>if the relevant Reference Item is an Index, the Intraday Level; or</p> <p>if the relevant Reference Item is a Share or a Fund Share, the Intraday Price; or</p> <p>if the relevant Reference Item is a Subject Currency, the Intraday Price.</p> <p><b>"RI Intraday Value"</b> means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the RI Intraday Level for such Reference Item in respect of such ST Valuation Date (ii) divided by the relevant RI Initial Value [multiplied by (b) FX Value].</p> <p><b>"RI Inverse Value"</b> means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the RI Initial Value divided by (ii) the [RI Closing Value][RI Average Value] for such Reference Item in respect of such ST Valuation Date [multiplied by (b) the FX Value].</p> <p><b>"RI Restrike Value"</b> means, in respect of a Reference Item and a ST Valuation Date (a) the RI Closing Value for such Reference Item in respect of such ST Valuation Date divided by (b) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or if none, the Strike Date.</p> <p><b>"RI Value"</b> means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the [RI Closing Value][RI Average Value] for such Reference Item in respect of such ST Valuation Date, divided by (ii) the relevant RI Initial Value [multiplied by (b) the FX Value].</p> <p><b>"RI Value Difference"</b> means, in respect of a ST Valuation Date, the RI Value for Reference Item (k[=<i>specify</i>]) in respect of such ST Valuation Date minus the RI Value for Reference Item (k[=<i>specify</i>]) in respect of such ST Valuation Date.</p>

## SUMMARY

Element	Title	
		<p>"<b>Worst Intraday Value</b>" means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the lowest or equal lowest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date.</p> <p>"<b>Worst Inverse Value</b>" means, in respect of ST Valuation Date, the RI Inverse Value for the Reference Item(s) with the lowest or equal lowest RI Inverse Value for any Reference Item in the Basket in respect of such ST Valuation Date.</p> <p>"<b>Worst Value</b>" means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the lowest or equal lowest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date.</p> <p><b>Dates and Periods</b></p> <p>Payments of interest and principal on the Notes may be associated with ST Valuation Dates and/or ST Valuation Periods, as the case may be, as specified in the Final Terms. For the avoidance of doubt, several set of dates may be used for the determination and calculation of a particular payout.</p> <p>"<b>Automatic Early Redemption Valuation Date</b>" means <i>[specify date]</i>.</p> <p>"<b>Averaging Date</b>" means <i>[specify date]</i>.</p> <p>"<b>Calculation Date</b>" means <i>[specify]</i>.</p> <p>"<b>Determination Date</b>" means <i>[specify date]</i>.</p> <p>"<b>Final Calculation Date</b>" means <i>[specify]</i>.</p> <p>"<b>Initial Calculation Date</b>" means <i>[specify]</i>.</p> <p>"<b>Settlement Level Date</b>" means <i>[specify date]</i>.</p> <p>"<b>Settlement Price Date</b>" means <i>[specify date]</i>.</p> <p>"<b>ST Coupon Valuation Date(s)</b>" means each <i>[Averaging Date][Strike Date][Interest Determination Date][Interest Payment Date][Interest Period End Date][Determination Date][Knock-in Determination Day][Knock-out Determination Day][Settlement Level Date][Settlement Price Date][Valuation Date][Range Accrual Day] [and] [Range Period End Date]</i>.</p> <p>"<b>ST Coupon Valuation Period</b>" means <i>[the period from and including [specify] to and including [specify]] [each][the][Interest Period][Range Period]</i>.</p> <p>"<b>ST ER Valuation Date</b>" means each <i>[Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day] [and] [Knock-out Determination Day]</i>.</p> <p>"<b>ST ER Valuation Period</b>" means <i>the period from and including [specify] to and including [specify]</i>.</p> <p>"<b>ST FR Valuation Date</b>" means each <i>[Averaging Date][Settlement Level</i></p>

## SUMMARY

Element	Title	
		<p>Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day].</p> <p><b>"ST FR Valuation Period"</b> means the period from and including [<i>specify</i>] to and including [<i>specify</i>].</p> <p><b>"ST Redemption Valuation Date"</b> means [a] [an] [each] [the] [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day].</p> <p><b>"ST Redemption Valuation Period"</b> means the period from and including [<i>specify</i>] to and including [<i>specify</i>].</p> <p><b>"Strike Date"</b> means [<i>specify date</i>].</p> <p><b>"Strike Day"</b> means [<i>specify day</i>].</p> <p><b>"ST Valuation Date"</b> means each [Coupon Valuation Date][Strike Date][Redemption Valuation Date][ST Coupon Valuation Date][ST ER Valuation Date][ST FR Valuation Date][ST Redemption Valuation Date][Automatic Early Redemption Valuation Day][Knock-in Determination Day][Knock-out Determination Day][Range Accrual Day][Settlement Level Date][Settlement Price Date][Scheduled Trading Day][Calculation Date][Initial Calculation Date][Final Calculation Date].</p> <p><b>"ST Valuation Period"</b> means each [ST Coupon Valuation Period][ST ER Valuation Period][ST FR Valuation Period][ST Redemption Valuation Period][Automatic Early Redemption Valuation Period][Knock-in Determination Period][Knock-out Determination Period].</p> <p><b>"Target Determination Date"</b> means [<i>specify date</i>].</p> <p><b>"Target Final Interest Period"</b> means the Interest Period ending on but excluding the Maturity Date.</p> <p><b>Conditional Conditions</b></p> <p><b>"Barrier Count Condition"</b> shall be satisfied if, in respect of a [ST Coupon Valuation Date] [ST Coupon Valuation Period], the Coupon Barrier Value [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Coupon Valuation Date] [ST Coupon Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier.</p> <p><b>"Final Redemption Condition"</b> means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period], that the Final Redemption Value [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Redemption Valuation Date] [ST Redemption Valuation Period] as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level.</p> <p><b>"Final Redemption Condition [1]"</b> means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] that the Final Redemption Value [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Redemption</p>



## SUMMARY

Element	Title	
		<p>Valuation Date][ST Redemption Valuation Period] as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level 1.</p> <p><b>"Final Redemption Condition [2]"</b> means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] that the Final Redemption Value [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Redemption Valuation Date][ST Redemption Valuation Period] [in the relevant [ST Redemption Valuation Period] as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level [1], but is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level [2].</p> <p><b>"Lock-in Redemption Condition"</b> means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period], the Lock-in Redemption Value [for] [each][any][Observation Date] [in respect of] [the relevant] [on such] [ST Redemption Valuation Date][ST Redemption Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Lock-in Redemption Level.</p> <p><i>The above provisions are subject to adjustment as provided in the conditions of the Notes to take into account events in relation to the underlying or the Notes. This may lead to adjustments being made to the Notes or in some cases to the Notes being terminated early at an early redemption or cancellation amount.</i></p> <p><b>Credit Linked Notes</b></p> <p>The Issuer will redeem the Notes and pay interest as provided above, subject to the credit linked provisions below.</p> <p>If a Credit Event (a [as being set out in the Physical Settlement Matrix][bankruptcy[,]] [failure to pay[,]] [obligation acceleration[,]] [obligation default[,]] [repudiation/moratorium[,]] [governmental intervention[,]] [or] [restructuring] (<i>include all that apply</i>)), occurs in respect of the Reference Entity(ies) (being [<i>specify reference entity(ies)</i>] or any successor(s)), the Calculation Agent may determine that a Credit Event Determination Date has occurred. In this case:</p> <p><i>(Insert if the relevant Notes are Nth-to-Default Credit Linked Notes:)</i></p> <p>[credit linked settlement will not occur until this happens in respect of the Relevant Number of Reference Entities (being [<i>specify</i>]).]</p> <p><i>(Insert if the relevant Notes are First-to-Default Credit Linked Notes:)</i></p> <p>[credit linked settlement will occur on the first occasion this happens with respect to any Reference Entity.]</p> <p><i>(Insert if the relevant Notes are Single Reference Entity Credit Linked Notes:)</i></p> <p>[the Notes will be settled as described below.]</p> <p><i>(Insert if the relevant Notes are Non-Tranching Linear Basket Credit Linked Notes to which Credit Payment As You Go applies:)</i></p>

## SUMMARY

Element	Title	
		<p>[in respect of each relevant Credit Event the Issuer will pay a Credit Event Amount on the relevant Credit Event Payment Date]</p> <p><i>(Insert if the relevant Notes are Tranching Linear Basket Credit Linked Notes:)</i>[credit linked settlement will not occur until this happens in respect of a number that is greater than <i>[specify]</i> Reference Entities and thereafter each relevant Credit Event will further reduce amounts due in respect of the Notes.]</p> <p><i>(Insert for each of above types of Credit Linked Notes:)</i>[The Issuer will then pay the Credit Event Redemption Amount in respect of each Note on the Credit Event Redemption Date.]</p> <p><i>(Insert if the relevant Notes are Non-Tranching Linear Basket Credit Linked Notes to which Credit Payment As You Go applies:)</i>[provided that if a relevant Credit Event occurs and relevant procedures are followed in respect of each Reference Entity each Note will be redeemed at the final Credit Event Amount on the final Credit Event Payment Date.]</p> <p><i>(Insert if the relevant Notes are Linear Basket Credit Linked Notes:)</i>[In addition, interest on the Notes may be reduced or no longer paid depending on the [aggregate Reference Entity notional amounts of Reference Entities][number of Reference Entities] for which a relevant Credit Event has happened and relevant procedures are followed]</p> <p>Where:</p> <p>["<b>Credit Event Amount</b>" means, a Note's pro rata share of the following amount (which may be zero):</p> $(\text{RENA} \times \text{FP}) - \text{UC}$ <p>where:</p> <p>"<b>RENA</b>" is the Reference Entity notional amount;</p> <p>"<b>FP</b>" is the Recovery Price;</p> <p>"<b>UC</b>" is Unwind Costs.]</p> <p>["<b>Credit Event Payment Date</b>" means, in relation to any Credit Event Amount, [three] <i>[specify]</i> Business Days following [the calculation of the relevant Final Price] <i>(or insert for Zero/Set Recovery Notes:)</i> the Credit Event Determination Date.] [or such later date for payment determined under the Settlement Exchange Rate provisions.]</p> <p>"<b>Credit Event Redemption Amount</b>" means:</p> <p><i>(insert in the case of Single Reference Entity Credit Linked Notes, First-to-Default Credit Linked Notes and Nth-to-Default Credit Linked Notes:)</i></p> <p>an amount equal to each Note's pro rata share of:</p> $[(\text{RENA} \times \text{FP} - \text{UC})] + \text{Protected Amount}$ <p><i>(insert in the case of Linear Basket Credit Linked Notes to which Credit Payment on</i></p>

## SUMMARY

Element	Title	
		<p><i>Maturity applies:)</i></p> <p>an amount equal to each Note's pro rata share of:</p> $\left( \sum_{1 \dots n}^n \text{RENA}_{u,i} \right) + \left( \sum_{1 \dots n}^n \text{RENA}_{A,i} \times \text{FP}_{A,i} \right) - \text{UC}$ <p><i>(insert the following in the case of Linear Basket Credit Linked Notes to which Credit Payment As You Go applies:)</i></p> <p>an amount equal to a Note's pro rata share of:</p> $\sum_{1 \dots n}^n \text{RENA}_{u,i}$ <p><i>(insert the following in the case of Tranche Linear Basket Credit Linked Notes:)</i></p> <p>an amount equal to each Note's <i>pro rata</i> share of:</p> <p>aggregate outstanding nominal amount * <math>\left( 1 - \left( \frac{1}{H-L} \right) * \text{Min}[H-L; \text{Max}[N-L; 0]] \right)</math></p> <p>where:</p> <p>["<b>RENA</b>"] is the Reference Entity notional amount;</p> <p>"<b>RENA<sub>u,i</sub></b>" is RENA in respect of any Reference Entity<sub>i</sub> for which a Credit Event has not occurred and relevant procedures are followed and which is zero for all other Reference Entities;</p> <p>"<b>RENA<sub>A,i</sub></b>" is the RENA in respect of any Reference Entity<sub>i</sub> for which a Credit Event has occurred and relevant procedures are followed and which is zero for all other Reference Entities;</p> <p>"<b>FP</b>" is the Recovery Price;</p> <p>"<b>UC</b>" is Unwind Costs; and</p> <p>"<b>n</b>" is the number of Reference Entities,]]</p> <p>["<b>H</b>"] is [<i>specify</i>];</p> <p>"<b>L</b>" is [<i>specify</i>]; and</p> <p>"<b>N</b>" is the number of Reference Entities in respect of which a Credit Event Determination Date has occurred.]</p> <p>"<b>Credit Event Redemption Date</b>" means:</p> <p><i>(insert where Tranche Linear Basket Credit Linked Notes:)[the Maturity Date determined pursuant to the Credit Linked Conditions.]</i></p> <p><i>(insert where other than Tranche Linear Basket Credit Linked Notes:)[</i></p>

## SUMMARY

Element	Title	
		<p>[(a)] [three] <i>[specify]</i> Business Days after (i) the calculation of the Final Price (ii) the auction settlement date or (iii) the Credit Event Determination Date as applicable [; or</p> <p>[(b)] <i>(insert where Non-Tranch ed Linear Basket Credit Linked Notes or Zero/Set Recovery Notes or Maturity Credit Redemption applies only:)</i>[if later, the Maturity Date determined pursuant to the Credit Linked Conditions[.]]</p> <p>[or such later date for payment determined under the Settlement Exchange Rate provisions.]]</p> <p><b>"Recovery Price"</b> means the recovery amount [(expressed as a percentage)] determined by the Calculation Agent in respect of obligations of the relevant Reference Entity <i>(insert if the Notes are Zero/Set Recovery Notes:)</i>[which is deemed to be <i>[insert percentage]</i>][zero]. [Such price will be determined by reference to [an auction settlement procedure organised by the ISDA, the International Swaps and Derivatives Association, Inc.] [or failing that] [dealer quotes obtained by the Calculation Agent]].]</p> <p><i>(Insert if the relevant Securities are Reference Obligation Only Securities relating to a single Reference Entity:)</i>[If certain types of substitution events occur with respect to the Reference Obligation, then <i>(Insert if interest applies:)</i>(i) interest shall cease to accrue on the Notes from and including the Interest Payment Date immediately preceding the relevant substitution event date or, if no Interest Payment Date has occurred, no interest will accrue on the Notes and (ii)) each Note will be redeemed at its relevant Reference Obligation Only Termination Amount which is <i>[specify amount]</i> on the <i>[specify]</i> Business Day following the relevant substitution event date.]]</p>
<b>C.10</b>	<b>Derivative component in the interest payments:</b>	<p>[Not applicable – The Notes do not have a derivative component in the interest payment.]</p> <p><b><i>(Issue specific summary:)</i></b></p> <p>[Interest is payable on the Notes on the basis set out in Element <b>C.9</b> <i>(Payment Features)</i> above save that [the/each] rate of interest is <i>[specify]</i>][determined as follows:]</p> <p><b><i>(Worst Case Scenario:)</i></b>[In a worst case scenario the interest amount payable per Note at the Maturity Date will be <i>[specify]</i> if <i>[specify]</i>.]</p> <p><i>(Complete the following provisions on the same basis as followed in completing the Final Terms on the basis of the Payout Conditions e.g. completing terms and using suffixes or adding a table where appropriate).</i></p> <p><b>"Rate of Interest (i)"</b></p> <p>Coupon Value(i)</p> <p><b>"Rate of Interest (ii)"</b></p> <p>Rate(i)</p> <p><b>"Rate of Interest (iii)"</b></p> <p>Leverage(i) * Rate(i) + Spread(i)</p> <p><b>"Rate of Interest (iv)"</b></p>

## SUMMARY

Element	Title	
		<p><math>\text{Leverage}(i) * \text{Reference Spread}(i) + \text{Spread}(i)</math></p> <p><b>"Rate of Interest (v)"</b></p> <p><math>\text{Previous Interest}(i) + \text{Spread}(i)</math></p> <p><b>"Rate of Interest (vi)"</b></p> <p><math>\text{Previous Interest}(i) + \text{Leverage}(i) * \text{Reference Item Rate}(i) + \text{Spread}(i)</math></p> <p><b>"Rate of Interest (vii)"</b></p> <p><math>\text{Leverage}(i) * (\text{Coupon Value}(i) + \text{Spread}(i)) + \text{Constant Percentage}(i)</math></p> <p><b>"Rate of Interest (viii)"</b></p> <p><math>\text{Constant Percentage}(i) + \text{Max} [\text{Floor Percentage}; \text{Leverage} * (\text{Coupon Value}(i) - \text{Strike Percentage})]</math></p> <p><b>"Rate of Interest (ix)"</b></p> <p><math>\text{Constant Percentage}(i) + \text{Min} [\text{Cap Percentage}; \text{Max} [\text{Floor Percentage}; \text{Leverage} * (\text{Coupon Value}(i)) - \text{Strike Percentage}]]</math></p> <p><b>"Rate of Interest (x) - Range Accrual"</b></p> <p><i>(insert the following where interest accrual is calculated based on the number of days on which the Range Accrual Coupon Condition or Range Accrual Countdown Condition is satisfied)</i></p> <p><math>\text{Leverage}(i) * (\text{Rate}(i) + \text{Spread}(i)) * \frac{n}{N}</math></p> <p><i>(insert the following where interest accrual is calculated based on the number of days on which the Range Accrual Coupon Condition or Range Accrual Countdown Condition is satisfied but subtracting the number of days on which the Range Accrual Condition is not satisfied)</i></p> <p><math>\text{Leverage}(i) * (\text{Rate}(i) + \text{Spread}(i) * \text{Max}[0; (2n-N)/N])</math></p> <p><b>"Rate of Interest (xi)" – "Digital One Barrier"</b></p> <p>(A) If the Coupon Barrier Condition is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]:</p> <p>[Constant Percentage[1]][select and insert the Interest Rate Payout Formula from one of "Rate of Interest(i)" to "Rate of Interest (x)" (inclusive)]( for the avoidance of doubt, the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B)); or</p> <p>(B) Otherwise:</p>

## SUMMARY

Element	Title	
		<p>[zero][Constant Percentage 2][select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]( for the avoidance of doubt, the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A))</p> <p><b>"Rate of Interest (xii)" – "Strike Podium n Barriers"</b></p> <p>(A) If Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]:</p> <p>[Constant Percentage 1][select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]; or</p> <p>(B) If Coupon Barrier Condition [2] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period] and Coupon Barrier Condition [1] is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][and was not satisfied in any previous Interest Period]:</p> <p>[Constant Percentage 2][select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]( for the avoidance of doubt, the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A)); or</p> <p>(C) Otherwise:</p> <p>[zero][Constant Percentage 3][select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (ix)" (inclusive)]( for the avoidance of doubt, the selected Interest Rate Payout Formula for this paragraph (C) may be different from the Interest Rate Payout Formulae for paragraphs (A) and (B) respectively).</p> <p>(The above provisions of paragraph (B) may be duplicated in case more than two Coupon Conditions apply)</p> <p><b>"Rate of Interest (xiii)" – "Ramses"</b></p> <p>(A) If Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date:</p> <p>Rate(i) + SumRate(i);</p> <p>(B) Otherwise, zero.</p> <p><b>"Rate of Interest (xiv)" – "Mozart"</b></p> <p>Rate(i) * n</p>

## SUMMARY

Element	Title	
		<p><b>"Rate of Interest (xv)" – "Mozart Variable"</b></p> <p>Rate(n)</p> <p><b>"Rate of Interest (xvi)" – "Call with Individual Caps"</b></p> $\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i, k)]] - \text{StrikePercentage}(i)) \right] + \text{ConstantPercentage}(i)$ <p><b>"Rate of Interest (xvii)" – "Cappuccino"</b></p> $\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{CappuccinoBarrierValue}(i, k)]) - \text{StrikePercentage}(i) \right] + \text{ConstantPercentage}(i)$ <p><b>"Rate of Interest (xviii)" – "Best Replace"</b></p> <p><i>(Insert the following if local floor is applicable)</i></p> $\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{ModifiedValue}(i, k)]) - \text{StrikePercentage}(i) \right]$ <p><i>(Insert the following if local floor is not applicable)</i></p> $\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * (\text{ModifiedValue}(i, k) - \text{StrikePercentage}(i))) \right]$ <p><b>"Rate of Interest (xix)" – "Cliquet"</b></p> $\text{Max} \left[ \sum_{i=1}^T (\text{Max} [\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}, \text{FloorPercentage1}) \right]$ <p><b>"Rate of Interest (xx)" - "Cliquet Digital"</b></p> <p>(A) If Cliquet Digital Performance is greater than Constant Percentage 1:</p> <p>Cliquet Digital Performance; or</p> <p>(B) If Cliquet Digital Performance is greater than or equal to Constant Percentage 2 and is less than or equal to Constant Percentage 1:</p> <p>Constant Percentage 1; or</p> <p>(C) If Cliquet Digital Performance is less than Constant Percentage 2:</p> <p>Constant Percentage 2.</p> <p><b>"Rate of Interest (xxi)" - "Cliquet Digital Lock in"</b></p> $\text{Max} \left[ \text{FloorLockin}; \sum_{i=1}^T (\text{Max} [\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}, \text{FloorPercentage1}) \right]$ <p><b>"Rate of Interest (xxii)" - "Digital Coupon One Condition"</b></p>

## SUMMARY

Element	Title	
		<p>(A) If Digital Coupon Condition is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]:</p> <p>Rate A(i); or</p> <p>(B) Otherwise:</p> <p>Rate B(i).</p> <p><b>"Rate of Interest (xxiii)" - "Digital Coupon Two Conditions"</b></p> <p>(A) If Digital Coupon Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]:</p> <p>Rate A(i); or</p> <p>(B) If Digital Coupon Condition 1 is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period], but Digital Coupon Condition 2 is satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]:</p> <p>Rate B(i); or</p> <p>(C) Otherwise:</p> <p>Rate C(i).</p> <p><b>"Rate of Interest (xxiv)" – "TARN"</b></p> <p>(A) In respect of each Interest Period other than the Target Final Interest Period:</p> <p><i>[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]; and</i></p> <p>(B) in respect of the Target Final Interest Period and provided that an Automatic Early Redemption Event has not occurred:</p> <p>Final Interest Rate.</p> <p><b>"Rate of Interest (xxv)" – "Ratchet"</b></p> <p>Min [Cap Percentage; Max [Previous Interest(i); Rate(i)]]</p> <p><b>"Rate of Interest (xxvi)" – "Multiplier"</b></p> <p><i>(insert the following if a cap is applicable)</i></p>



## SUMMARY

Element	Title	
		<p>Constant Percentage + Min [Cap Percentage; Max [Floor Percentage, Multiplier Number * Constant Percentage 2]]</p> <p><i>(insert the following if a cap is not applicable)</i></p> <p>Constant Percentage + Max [Floor Percentage, Multiplier Number * Constant Percentage 2]</p> <p><b>"Rate of Interest (xxvii)" – "Count Barrier Condition"</b></p> <p>(A) If, in respect of [a] ST Coupon Valuation Date, the Barrier Count Condition has been satisfied [specify][or more][or less] times:</p> <p>[Constant Percentage [1] <i>[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)](for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B));</i> or</p> <p>(B) Otherwise:</p> <p>[zero][Constant Percentage [2]][<i>select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)](for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A))</i></p> <p><b>"Rate of Interest (xxviii)" - "Podium"</b></p> <p>SumRate(n)</p> <p><b>"Rate of Interest (xxix)" - "Compensation"</b></p> <p>(A) If, in respect of the [ST Coupon Valuation Date][ST Coupon Valuation Period] falling on i=[specify [and i=[specify]], the Calculation Agent determines that the sum of the Rate of Interest "<i>(specify name of the applicable Rate of Interest)</i>" above for such [ST Coupon Valuation Date][ST Coupon Valuation Period] [and the [specify] preceding [ST Coupon Valuation Dates][ST Coupon Valuation Periods]] is [zero][specify percentage] then for each such [ST Coupon Valuation Date][ST Coupon Valuation Period] the Rate of Interest shall be:</p> <p>[Constant Percentage [1] <i>[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)](for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B));</i> or</p> <p>(B) Otherwise, for each such [ST Coupon Valuation Date][ST Coupon Valuation Period] the Rate of Interest shall be:</p> <p>[zero][Constant Percentage [2]][<i>select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)](for the avoidance of doubt the selected Interest Rate</i></p>

## SUMMARY

Element	Title	
		<p><i>Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A))]</i></p> <p><b>"Rate of Interest (xxx)" - "Dual Currency Digital Coupon"</b></p> <p>(A) If the Coupon Barrier Condition is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]</p> <p>[Constant Percentage[1]] <i>[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B)]; or</i></p> <p>(B) Otherwise:</p> <p>[zero][Constant Percentage [2]] <i>[select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A)] [and the Settlement Exchange Rate Provisions shall apply with respect to the payment of the corresponding Interest Amount].</i></p> <p>(xxxix) <b>"Rate of Interest (xxxi)" – "Lock-in Coupon Barrier":</b></p> <p>(A) If the Coupon Barrier Condition is satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] and the Lock-in Coupon Barrier Condition has not been satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period]:</p> <p>[Constant Percentage [1]] <i>[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B) or (C)]; or</i></p> <p>(B) If the Coupon Barrier Condition is not satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] and the Lock-in Coupon Barrier Condition has not been satisfied in respect of the relevant [ST Coupon Valuation Date] [ST Coupon Valuation Period]:</p> <p>[zero][Constant Percentage [2]] <i>[select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A) or (C)]; or</i></p> <p>(C) If the Lock-in Coupon Barrier Condition is satisfied in respect of the relevant [ST Coupon Valuation Date] [ST Coupon Valuation Period]:</p>

## SUMMARY

Element	Title	
		<p>[Constant Percentage [3]] <i>[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (C) may be different from the Interest Rate Payout Formula for paragraph (A) or (B)].</i></p> <p><b>Definitions</b></p> <p><i>[Please also see definitions contained in Element C.9 (Payout Features)] (or insert relevant definitions from that element here:)</i></p> <p><b>General</b></p> <p><b>"Call Rate"</b> means:</p> <p>Constant Percentage(i) + Leverage(i) * Max [Coupon Value(i) – Strike Percentage(i) + Spread(i); Floor Percentage(i)]</p> <p><b>"Call Spread Rate"</b> means:</p> <p>Constant Percentage(i) + Leverage(i) * Min [Max [Coupon Value(i) – Strike Percentage(i) + Spread(i); Floor Percentage(i)]; Cap Percentage(i)]</p> <p><b>"Cappuccino Barrier Value"</b> means in respect of a Reference Item:</p> <p>(a) If in respect of a ST Valuation Date the Cappuccino Barrier Condition is satisfied, Cap Percentage(i);</p> <p>(b) Otherwise, Coupon Barrier Value(i,k).</p> <p><b>"Cliquet Digital Performance"</b> means, in respect of a [ST Valuation Date][ST Valuation Period]:</p> $\sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]]$ <p><b>"Coupon Barrier [1][2][3][4]"</b> means <i>[specify amount, percentage or number]</i>.</p> <p><b>"Coupon Barrier Value"</b> means, in respect of [a][an] [Observation Date][ST Coupon Valuation Date][ST Coupon Valuation Period], [and in respect of [each][of] Reference Item (k[=<i>specify</i>])] to (k[=<i>specify</i>])] <i>[specify relevant term from this summary] (repeat as necessary).</i></p> <p><b>"Coupon Lock in"</b> means:</p> $\text{Max}_{t=1}^T \left[ \sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] \right]$ <p><b>"Coupon Value"</b> means, in respect of a ST Coupon Valuation Date or ST Coupon Valuation Period [and in respect of [each][of] Reference Item (k[=<i>specify</i>])] to (k[=<i>specify</i>]), <i>[specify relevant term from this summary]</i>.</p> <p><b>"Final Interest Rate"</b> means <i>(insert one of the following)[specify][zero]:</i></p> <p><i>(insert if capped and guaranteed)[the AER Percentage][Target Coupon Percentage] less Paid Coupon Percentage.]</i></p>

## SUMMARY

Element	Title	
		<p>(insert if not capped or guaranteed)[the Final Coupon Rate multiplied by the Final Day Count Fraction.]</p> <p>(insert if capped only:) [Min [Final Coupon Rate * Final Day Count Fraction; AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].]</p> <p>(insert if guaranteed only:) [Max [Final Coupon Rate * Final Day Count Fraction; AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].]</p> <p><b>"Lock-in Coupon Value"</b> means, in respect of a [ST Valuation Date][ST Valuation Period][and in respect of [each][of] Reference Item (k=[specify])] to (k=[specify])], [specify relevant term from this summary].</p> <p><b>"Lock-in Coupon Level"</b> means [specify level, amount, number or percentage].</p> <p><b>"Min Coupon"</b> means [specify percentage].</p> <p><b>"Modified Value(i,k)"</b> means:</p> <p>(a) if the Coupon Value(i,k) is one of the nfixed greatest value in the basket of the Best Replace Percentage; and</p> <p>(b) otherwise, Coupon Value(i,k).</p> <p><b>"n"</b> means:</p> <p>(a) in respect of "Rate of Interest (xiv) – Mozart" in respect of a ST Coupon Valuation Date, the number calculated as the number of ST Coupon Valuation Dates (in the period from the Issue Date to and including such ST Coupon Valuation Date) on which the Barrier Count is satisfied; and</p> <p>(b) in respect of "Rate of Interest (x) – Range Accrual" in respect of a ST Coupon Valuation Date, the number of Range Accrual Days in the relevant Range Period on which the [Range Accrual Coupon Condition][Range Accrual Countdown Condition] is satisfied.</p> <p><b>"N"</b> means:</p> <p>(a) in respect of "Rate of Interest (xv) – Mozart Variable", [specify number] being the maximum number of times that the Mozart Condition may be satisfied from [and including] the Issue Date to [but excluding] the Maturity Date.</p> <p>(b) in respect of "Rate of Interest (x) – Range Accrual" is for each ST Coupon Valuation Date the total number of Range Accrual Days in the relevant Range Period.</p> <p><b>"nfixed"</b> means [specify number].</p> <p><b>"Previous Interest"</b> means, in respect of a ST Coupon Valuation Date, the Rate of Interest determined on the ST Coupon Valuation Date immediately preceding such ST Coupon Valuation Date or, in respect of the first ST Coupon Valuation Date, zero.</p> <p><b>"Range Period"</b> means [specify period][each][the][Interest Period] [and the final date of</p>

## SUMMARY

Element	Title	
		<p>each such period, the "<b>Range Period End Date</b>").</p> <p>"<b>Rate [A][B][C]</b>" means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][<i>specify fixed rate</i>][<i>specify floating rate</i>][the Call Rate][the Call Spread Rate][Inflation Rate].</p> <p>"<b>Rate(n)</b>" (from n = 1 to n = N) means:</p> <ul style="list-style-type: none"> <li>(a) in respect of "Rate of Interest (xv) – Mozart Variable" on any ST Coupon Valuation Date, the rate specified in the Final Terms and associated with the number of times that Barrier Count Condition is satisfied on the relevant ST Coupon Valuation Date; and</li> <li>(b) in respect of "Rate of Interest (xxviii) – Podium" on any ST Coupon Valuation Date, the rate specified in the Final Terms and associated with the number of Reference Items in the Basket for which the Podium Condition is satisfied on the relevant ST Coupon Valuation Date.</li> </ul> <p>"<b>Reference Spread [1][2]</b>" means Reference Item Rate [1][2] minus Reference Item Rate [1][2]. (<i>NB Complete Reference Item Rates 1 and 2 to reflect ISDA Determination for relevant CMS Rates. Repeat for further Reference Spread(s) as necessary</i>).</p> <p>"<b>Spread</b>" means [<i>specify percentage</i>].</p> <p>"<b>Sum Rate</b>" means, in respect of each ST Coupon Valuation Date, the sum of all previous Rates for each ST Coupon Valuation Date since (but not including) the last occurring date on which the relevant Barrier Count Condition was satisfied (or if none the Issue Date).</p> <p><b>Dates and Periods</b></p> <p>"<b>Coupon Valuation Date</b>" shall be the relevant date specified as such in the Final Terms, as may be adjusted in accordance with the definition of "Valuation Date".</p> <p>"<b>Range Accrual Cut-Off Date</b>" means [in respect of [each][a] Reference Item [(k)] and] [in respect of any [Range Period] [<i>specify other period</i>] [the][each] date specified as such in the Issue Terms.] or, otherwise, the date falling [<i>specify number</i>] [calendar days] [Business Days] [Scheduled Trading Days (as defined in the [<i>specify</i>] Conditions) [<i>specify other</i>] before the [Range Period End Date] [<i>specify other</i>].</p> <p>"<b>Range Accrual Day</b>" means [an Exchange Business Day][a Scheduled Trading Day][a Business Day][an Interest Determination Date][a calendar day][an Observation Date][<i>specify</i>].</p> <p>"<b>Redemption Valuation Date</b>" shall be the relevant date specified as such in the applicable Final Terms, as may be adjusted in accordance with the definition of "Valuation Date".</p> <p>"<b>ST Coupon Valuation Date(s)</b>" means [a] [an] [each] [Averaging Date][Strike Date][Interest Determination Date][Interest Payment Date][Interest Period End Date][Determination Date] [Knock-in Determination Day][Knock-out Determination Day][Settlement Level Date] [Settlement Price Date][Valuation Date] [Range Accrual Day] [and] [Range Period End Date].</p>

## SUMMARY

Element	Title	
		<p>"<b>ST Coupon Valuation Period</b>" means [the period from and including [<i>specify</i>] to and including [<i>specify</i>]][each][the][Interest Period][Range Period].</p> <p><b>Conditional Conditions</b></p> <p>"<b>Cappuccino Barrier Condition</b>" means, in respect of [the] [the Reference Item] [and] a [ST Coupon Valuation Date], that the Coupon Barrier Value [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Coupon Valuation Date], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Coupon Barrier.</p> <p>"<b>Coupon Barrier Condition [1]</b>" means, in respect of [a ST Coupon Valuation Date][a ST Valuation Coupon Period], that the Coupon Barrier Value [for] [each][any] [Observation Date] [in respect of][the relevant] [on such] [ST Coupon Valuation Date][ST Coupon Valuation Period], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] [the] Coupon Barrier [1][but is [greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier [2]].</p> <p>"<b>Coupon Barrier Condition [2]</b>" means, in respect of [a ST Valuation Coupon Date][a ST Coupon Valuation Period], that the Coupon Barrier Value [for] [each][any] [Observation Date] [in respect of][the relevant] [on such] [ST Coupon Valuation Date][ST Coupon Valuation Period], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] [the] Coupon Barrier [1][but is [greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier [2]].</p> <p>"<b>Digital Coupon Condition [1]</b>" means:</p> <p>(a) in respect of Reference Item [1], that the Coupon Barrier Value for [the] Reference Item [1] [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Coupon Valuation Date] [ST Coupon Valuation Period] as determined by the Calculation Agent is [(i) [greater than][less than][equal to or greater than][less than or equal to], [the] Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to] Coupon Barrier 2](<i>insert (ii) if a Coupon Barrier 2 is specified</i>)]; and</p> <p>(b) in respect of Reference Item 2, that the Coupon Barrier Value for Reference Item 2 [for][each][any] [Observation Date][in respect of][ the relevant] [on such] [[ST Coupon Valuation Date][in the relevant][ST Coupon Valuation Period] as determined by the Calculation Agent is [(i) [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier [1] [and (ii) [greater than][less than][equal to or greater than][less than or equal to], Coupon Barrier [2]](<i>insert (ii) if a Coupon Barrier 2 is specified</i>)](<i>insert (b) if Reference Item 2 is specified</i>).</p> <p>"<b>Digital Coupon Condition 2</b>" means in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]:</p> <p>(a) in respect of Reference Item [1], that the Coupon Barrier Value for Reference Item [1] [for] [each][any] [Observation Date][in respect of][the relevant][on such] [ST Coupon Valuation Date][and][ST Coupon Valuation Period][and</p>

## SUMMARY

Element	Title																			
		<p>[each][any] Observation Date for [the relevant][a] [ST Coupon Valuation Date][ST Coupon Valuation Period]] as determined by the Calculation Agent is [(i)] [greater than][less than][equal to or greater than][less than or equal to] Coupon Barrier [3] [and (ii)] [greater than][less than][equal to or greater than][less than or equal to] Coupon Barrier [4]](insert (ii) if a Coupon Barrier [4] is specified); and</p> <p>(b) in respect of Reference Item [2], that the Coupon Barrier Value for Reference Item [2] [for][each][any][Observation Date][in respect of] [the relevant] [on such][ST Coupon Valuation Date][ST Coupon Valuation Period] as determined by the Calculation Agent is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier [3] [and (ii)] [greater than][less than][equal to or greater than][less than or equal to], the Coupon Barrier [4]](insert (ii) if a Coupon Barrier [4] is specified)(insert (b) if Reference Item [2] is specified).</p> <p><b>"Lock-in Coupon Barrier Condition"</b> means, in respect of the [ST Valuation Date][ST Valuation Period], the Lock-in Coupon Value [for] [each][any][Observation Date] [in respect of] [the relevant] [on such] [ST Valuation Date][ST Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Lock-in Coupon Level.</p> <p><b>"Podium Condition"</b> shall be satisfied if, in respect of a Reference Item and a ST Coupon Valuation Date, the Coupon Value for such Reference Item on such ST Coupon Valuation Date, as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Coupon Barrier.</p> <p><b>"Range Accrual Countdown Condition"</b> [subject as provided below,] will be deemed satisfied if, in respect of each Range Accrual Day in [the][relevant] Range Period [(n)][from and including [specify] to [and including][but excluding] [[specify] for [each] Reference Item (k=[specify])], the Coupon Barrier Value for such Reference Item in respect of each such Range Accrual Day is [(i)] [greater than][less than][equal to or greater than][equal to or less than] the relevant [Upper][Lower] Coupon Barrier [specify number][and (ii)] [greater than][less than][equal to or greater than][ equal to or less than] the relevant [Upper][Lower] Coupon Barrier [specify number] (insert (ii) if a Coupon Barrier [specify number] is specified) [as specified in the table below].</p> <p>(Replicate and complete the above definition multiple times as necessary or complete the below table)</p> <table><tr><th>Range Period n</th><th>From (and including)</th><th>To (but excluding)</th><th>Applicable Reference Item (k)</th><th>[Lower] Coupon Barrier</th><th>[Upper] Coupon Barrier]</th></tr><tr><td>[specify]</td><td>[specify date][Interest Payment Date Falling in [specify]]</td><td>[specify date][Interest Payment Date Falling in [specify]]</td><td>[k=(n)] [specify]</td><td>[specify][% ]</td><td>[specify][% ]</td></tr><tr><td>(Repeat as necessary)</td><td>(Repeat as necessary)</td><td>(Repeat as necessary)</td><td>(Repeat as necessary)</td><td>(Repeat as necessary)</td><td>(Repeat as necessary)</td></tr></table>	Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier]	[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][% ]	[specify][% ]	(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)
Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier]															
[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][% ]	[specify][% ]															
(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)	(Repeat as necessary)															





## SUMMARY

Element	Title	
C.11	<b>Listing and admission to trading:</b>	<p>Notes issued under the Programme may be listed and admitted to trading on the regulated market of the Irish Stock Exchange or such other stock exchange or market as may be agreed between the Issuer and the relevant Dealer and specified in the Final Terms (<i>Delete this paragraph when preparing an issue specific summary</i>)</p> <p><b>Issue specific summary:</b></p> <p>[Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market.] [Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Euronext Lisbon/London Stock Exchange and listing on the Official List of the UK Listing Authority] with effect from [ ].] [The Notes are not intended to be admitted to trading on any market.]</p>
C.15	<b>Description of how the value of the Note is affected by the value of the underlying asset:</b>	<p><i>(Issue specific summary - this Element C.15 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended):)</i></p> <p>[The [Interest amount/[s] and]/ Final Redemption Amount [and] [Automatic Early Redemption Amount] [or Entitlement] ([in each case,] if any) payable in respect of the Notes [is/are] calculated by reference to the relevant underlying set out in Element C.20 (<i>A description of the type of the underlying and where the information of the underlying can be found</i>) below.</p> <p>Please also see Element C.9 (<i>Payment Features</i>) [and Element C.10 (<i>Derivative component in the interest payments</i>)].</p> <p>These Notes are derivative securities and their value may go down as well as up.</p> <p>[Insert description of how the value of the Notes is affected by the value of the relevant Reference Item(s)].]</p>
C.16	<b>Expiration or maturity date of the Notes:</b>	<p><i>(Issue specific summary - this Element C.16 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended):)</i></p>
C.17	<b>Settlement procedure of derivative securities:</b>	<p>[The Maturity Date of the Notes is [specify][, subject to adjustment]].]</p> <p>The Notes will be settled on the applicable Maturity Date or relevant delivery date at the relevant amount per Note.</p> <p><i>(For the purposes of the Issue specific summary, this Element C.17 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended))</i></p>
C.18	<b>Return on derivative securities:</b>	<p><i>(Issue specific summary - this Element C.18 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended):)</i></p> <p>[For variable interest Notes, the return is illustrated in Element C.10 (<i>Derivative component in the interest payments</i>) above.</p> <p>For variable redemption Notes, the return is illustrated in Element C.9 (<i>Payment Features</i>) above.</p> <p>These Notes are derivative securities and their value may go down as well as up.]</p>

## SUMMARY

Element	Title	
C.19	<b>Exercise price/final reference price of the underlying:</b>	<p><i>(Issue specific summary - this Element C.19 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended):)</i></p> <p>[The final reference price of the underlying described in Element C.20 (A description of the type of the underlying and where the information of the underlying can be found) below shall be determined on the date(s) for valuation specified in Element C.9 (Payment Features) above subject to adjustment including that such final valuation may occur earlier in some cases.]</p>
C.20	<b>A description of the type of the underlying and where the information of the underlying can be found:</b>	<p>The underlying may be an index or basket of indices, a share or basket of shares, a depositary receipt or a basket of depositary receipts, an inflation index or a basket of inflation indices, a fund share or a basket of fund shares, a foreign exchange (FX) rate or basket of foreign exchange (FX) rates, the credit of a specified entity or entities or any combination thereof.</p> <p><i>(Issue specific summary - this Element C.20 only to be included where the Notes are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended):)</i></p> <p>[List Reference Item(s) in each case followed by: [See [Bloomberg] [Reuters] Screen [specify] page] [specify]].]</p>

## Section D – Risks

Element	Title	
D.2	<b>Key risks regarding the Issuer:</b>	<p>In purchasing Notes, investors expose themselves to the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer believes that the factors described below represent the principal factors which could materially adversely affect their businesses and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.</p> <p><b><i>Risks relating to BCP:</i></b></p> <p><i>Risks Relating to the Portuguese Economy</i>, which include, <i>inter alia</i>, i) The Bank is highly sensitive to the evolution of the Portuguese economy, whose signs of recovery are still not enough to ensure a sustainable growth trend; ii) The Portuguese economy is undergoing a complex process of structural change with uncertain impact on potential economic growth and banking activity; iii) The Portuguese economy is impacted by the performance and potential deterioration of foreign economies; iv) The completion of the financial assistance programme (the "PAEF") and the successful return of the Portuguese Republic to the capital markets do not eliminate the risk of further deterioration of Portugal's economic and financial condition; v) The Bank still relies on funding from the ECB in significant amounts; vi) The Bank is exposed to the risk of deterioration of the Portuguese sovereign risk premium; vii) Changes to the Portuguese</p>

## SUMMARY

Element	Title	
		<p>government's economic policies may negatively impact the Bank's activities; viii) The Bank is exposed to risks associated with deflation; ix) The Bank is exposed to risks associated with the implementation of the ECB's Quantitative Easing; x) The Budgetary Treaty may permanently confine economic policymaking, with potential adverse effects on the Bank's operational activity; xi) The Portuguese Republic may be subject to downgraded rating reviews by the rating agencies, which could affect the funding of the economy and the Bank's activity; xii) A relapse of the sovereign debt crisis of the Eurozone and the uncertainty regarding the integrity of the EU constitute potential sources of turbulence for the markets that may impact the Bank's activity; xiii) The United Kingdom's impending departure from the EU could adversely affect the Bank's activity; xiv) A material decline in global capital markets and volatility in other markets could adversely affect the activity, results and value of strategic investments of the Bank; and xv) Acts of terrorism, natural disasters, pandemics and global conflicts may have a negative impact on the Bank's business and operations.</p> <p><i>Legal and Regulatory Risks, which include, inter alia,</i> i) The Bank is subject to increasingly complex regulation that could increase regulatory and capital requirements; ii) The Banking Union may impose additional regulatory requirements that may condition the Bank's results, and relevant uncertainties remain regarding the definition and implementation of the European Deposit Insurance Scheme; iii) The Bank may be unable to issue certain capital requirement instruments and therefore be either unable to meet its capital requirements or required to meet its capital requirements through costly or less effective instruments; iv) The resolutions adopted by the EC regarding financial services and products in the context of disclosure compliance may restrict the results of the Bank; v) The legislative initiatives relating to "basic bank accounts" and "credit contract conditions" may restrict the delivery of services and negatively affect the Bank's results; vi) The Bank is subject to increased obligations and costs resulting from the new legal framework related to the prevention and monitoring of the default risk of customers; vii) Adoption of ECB guidelines and recommendations and supervisory practice based thereon may lead to an acceleration in non-performing exposure ("NPE") reductions, which may adversely impact the activity, financial condition, results of operations and prospects of the Bank; viii) Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on the Bank's activity; ix) Implementation of legislation relating to taxation of the financial sector could have a material adverse effect on the Bank's results of operations; x) The Bank was charged and convicted by the Portuguese Securities Market Commission (<i>Comissão do Mercado de Valores Mobiliários</i>) (the "CMVM") and Banco de Portugal in administrative proceedings in connection with certain transactions, including the financing of the acquisition of shares issued by the Bank by companies incorporated in certain offshore jurisdictions; xi) The new solvency framework for insurance companies is uncertain and may negatively impact the Bank's operations; xii) The Bank is subject to changes in financial reporting standards, such as IFRS 9, or policies, including as a result of choices made by the Bank, which could materially and adversely affect the Bank's reported results of operations and financial condition and may have a corresponding material adverse impact on capital ratios; xiii) The Bank's financial statements in conformity with EU IFRS require the exercise of judgements and use of assumptions and estimates which, if incorrect, could have a material impact on the Bank's business, results of operations, financial condition, prospects and capital ratios; and xiv) The use of standardised contracts and forms carries certain risks.</p> <p><i>Risks relating to BCP's recapitalisation plan and restructuring plan, which include, inter alia,</i> i) The Restructuring Plan of the Bank approved by the EC has an associated execution risk; ii) The Bank is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives in its Strategic Plan</p>

## SUMMARY

Element	Title	
		<p>2012-2017 and Strategic Agenda 2016-2018; iii) Conditions imposed on the Bank as a result of the Recapitalisation Plan and the Restructuring Plan may constrain the Bank's operations or otherwise be adverse to the interest of the Bank's shareholders; and iv) The Recapitalisation Plan and the Restructuring Plan may not be sufficient to meet the Bank's future regulatory capital requirements, which could necessitate further engagement in liability management transactions, sales of assets or additional public investment.</p> <p><i>Risks Relating to the Bank's Business</i>, which include, <i>inter alia</i>, i) The Bank is exposed to the credit risk of its customers; ii) The Bank is exposed to concentration risk, including concentration risk in its credit exposure; iii) The Bank is exposed to counterparty risk, including credit risk of its counterparties; iv) The Bank sells capitalisation insurance products with guaranteed principal and unit linked products, exposing the Bank to reputational risk in its role as seller, and financial risk indirectly arising from the Group's shareholding in Millenniumbcp Ageas; v) The Bank is exposed to a contraction of the real estate market; vi) The Bank is exposed to the risk of interest rate repricing of credit granted to customers; vii) The Bank holds units in specialised credit recovery closed-end funds that are subject to potential depreciation, for which reimbursement may not be requested and for which there is no secondary market; viii) Financial problems faced by the Bank's customers could adversely affect the Bank; ix) The Bank's portfolio may continue to contract; x) The Bank is exposed to further deterioration of asset quality; xi) The Bank faces strong competition in its main areas of activity, namely in the retail business; xii) The Bank may generate lower revenues from commissions and fee-based businesses; xiii) Changes in consumer protection laws may limit the fees that the Bank can charge in certain banking transactions; xiv) Downgrades in the Bank's credit rating could increase the cost of borrowing funds and make the Bank's ability to raise new funds or renew maturing debt more difficult; xv) The Bank is exposed to risks in its international operations; xvi) The Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique); xvii) The Bank's operations in emerging markets expose its business to risks associated with social, economic and political conditions in those markets; xviii) The Bank's highly liquid assets may not cover liabilities to its customer base; xix) The eventual incorporation of a "bad bank" in Portugal may result in additional capital needs for the Bank; xx) The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Group; xxi) The Bank's ability to achieve certain targets is dependent upon certain assumptions involving factors that are significantly or entirely beyond the Bank's control and are subject to known and unknown risks, uncertainties and other factors; xxii) The Bank is vulnerable to fluctuations in interest rates, which may negatively affect net interest income and lead to net loss and other adverse consequences; xxiii) The Bank currently operates in an environment of negative or close to zero short term interest rates (including ECB interest rates), which may continue for a long period of time, which could have a negative impact on the Bank's financial margin and results; xxiv) The Bank is exposed to reputational risks, including those arising from rumours that affect its image and customer relations; xxv) The Bank may have difficulty in hiring and retaining board members and qualified personnel; xxvi) The coverage of pension fund liabilities could be insufficient, which would require an increase in contributions, and the computation of additional actuarial losses could be influenced by changes to assumptions; xxvii) Labour disputes or other industrial actions could disrupt Bank operations or make them more costly to run; xxviii) The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results; xxix) The Bank is subject to compliance risk, which may lead to claims of non-compliance with regulations and lawsuits by public agencies, regulatory agencies and other parties; xxx)</p>

## SUMMARY

Element	Title	
		<p>The Bank is subject to certain operational risks, which may include interruptions in the services provided, errors, fraud attributable to third parties, omissions and delays in the provision of services and implementation of requirements for risk management; xxxi) The Bank faces technological risks, and a failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and breaches in data security; xxxii) The Bank is subject to the risk of changes in the relationship with its partners; xxxiii) Transactions in the Bank's own portfolio involve risks; xxxiv) Hedging operations carried out by the Bank may not be adequate to prevent losses; xxxv) The Bank faces exchange rate risk related to its international operations; xxxvi) The Bank might be exposed to non-identified risks or to an unexpected level of risks, notwithstanding the risk management policy pursued by the Bank; xxxvii) The Non-Core Business Portfolio may generate additional impairment requirements; xxxviii) The Bank may not be able to generate income to recover deferred taxes. Potential dilution of the shareholders' position may result from the potential conversion into capital of the special reserve foreseen by the law, in particular in the case of negative net individual results. Changes in the law or a different interpretation (or if the operations foreseen by the Bank do not take place) may have an adverse impact on the capital ratio; and xxxix) The Bank is subject to the risk of internal and external fraud, crime, cybercrime, or other types of misconduct by employees or third parties which could have a material adverse effect on the Bank.</p>
<b>D.3</b>	<b>Key risks regarding the Notes:</b>	<p>There are a number of risks associated with an investment in the Notes. These risks include: <i>(Delete such of the following bullet points as are not applicable when preparing an issue specific summary)</i></p> <p><b>Risks relating to the structure of particular Notes</b></p> <ul style="list-style-type: none"> <li>• Investors may lose the original invested amount.</li> <li>• The relevant market value of the Notes at any time is dependent on other matters in addition to the credit risk of the Issuer and the performance of the relevant Reference Item(s).</li> <li>• If a Reference Item Linked Note includes Market Disruption Events or Failure to Open of an Exchange and the Calculation Agent determines such an event has occurred, any consequential postponement of the Strike Date, Valuation Date, Observation Date or Averaging Date may have an adverse effect on the Notes.</li> <li>• There are risks associated with Notes where denominations involve integral multiples.</li> <li>• There are risks related to withholding tax on Book Entry Notes.</li> <li>• There are risks associated with Notes subject to Physical Delivery.</li> <li>• There are risks associated with Notes to which Variation of Settlement applies.</li> <li>• Noteholders may be required to pay certain expenses in relation to Notes subject to Physical Delivery.</li> <li>• There are certain requirements to be fulfilled and payments to be made by the Holder in order to receive Entitlement(s) in respect of Notes subject to Physical Delivery and the Issuer may decide to settle by way of cash payment instead in certain circumstances.</li> <li>• If the Notes are distributed by means of a public offer, in certain circumstances the Issuer may have the right to withdraw or revoke the offer.</li> </ul>

## SUMMARY

Element	Title	
		<ul style="list-style-type: none"> <li>• The Notes are unsecured and therefore subject to the resolution regime.</li> <li>• If an investor holds Notes which are not denominated in the investor's home currency, that investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.</li> <li>• There are certain considerations associated with Notes linked to Emerging Markets.</li> <li>• Where the Notes are denominated in an emerging market currency or linked to one or more emerging market currencies, such emerging market currencies can be significantly more volatile than currencies of more developed markets.</li> <li>• Notes may be denominated in one currency and settled in another currency.</li> <li>• The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.</li> <li>• There are risks associated with leveraged exposure.</li> <li>• There may be risks associated with any hedging transactions the Issuer enters into.</li> <li>• The Notes may be subject to the new reporting regime and withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986.</li> <li>• U.S. Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes.</li> <li>• The Notes may be affected by proposals for administrative co-operation in the field of taxation.</li> </ul> <p><b>Generic Risk Factors that are associated with Notes that are linked to Reference Item(s).</b></p> <ul style="list-style-type: none"> <li>• There are risks relating to Reference Item Linked Notes.</li> <li>• It may not be possible to use the Notes as a perfect hedge against the market risk associated with investing in a Reference Item.</li> <li>• There may be regulatory consequences for a Holder of Reference Item Linked Notes.</li> <li>• There are specific risks with regard to Notes linked to a combination of Reference Items.</li> <li>• Holders have no rights of ownership in the Reference Item(s).</li> <li>• The past performance of a Reference Item is not indicative of future performance.</li> </ul> <p><b>There are a number of risks associated with Notes that are linked to one or more specific types of Reference Items.</b></p> <ul style="list-style-type: none"> <li>• There are risks specific relating to Index Linked Notes.</li> <li>• There are risks specific relating to Equity Linked Notes.</li> <li>• There are specific risks relating to Inflation Linked Notes.</li> <li>• There are specific risks relating to Fund Linked Notes.</li> <li>• There are specific risks relating to Credit Linked Notes.</li> <li>• There are specific risks relating to Foreign Exchange (FX) Rate Linked Notes.</li> <li>• Notes which are issued at a substantial discount of premium may experience price</li> </ul>

## SUMMARY

Element	Title	
		<p>volatility in response to changes in market interest rates.</p> <ul style="list-style-type: none"> <li>There are specific risks with regard to Floating Rate Notes.</li> </ul> <p><b>Market Factors</b></p> <ul style="list-style-type: none"> <li>An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.</li> <li>There may be price discrepancies with respect to the Notes as between various dealers or other purchasers in the secondary market.</li> </ul> <p><b>Potential Conflicts of Interest</b></p> <ul style="list-style-type: none"> <li>The Issuer and its affiliates may take positions in or deal with Reference Item(s).</li> <li>The Calculation Agent, which will generally be the Issuer or an affiliate of the Issuer, has broad discretionary powers which may not take into account the interests of the Noteholders.</li> <li>The Issuer may have confidential information relating to the Reference Item and the Notes.</li> <li>The Issuer may be unable to disclose information concerning its own securities as a Reference Item.</li> <li>Potential conflicts of interest relating to distributors or other entities involved in the offer or listing of the Notes.</li> </ul> <p><b>Calculation Agent powers should be considered</b></p> <p><b>Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.</b></p>
D.6	Risk warning:	<p><i>(Issue specific summary - this Element D.6 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended):)</i></p> <p>[See D.3 ("Key risks regarding the Notes") above.</p> <p>Investors may lose the entire value of their investment or part of it in the event of the insolvency of the Issuer or if it is otherwise unable or unwilling to repay the Notes when repayment falls due [or as a result of the performance of the relevant Reference Item(s)](include where the Notes are not capital protected).]</p>

## Section E – Offer

Element	Title	
E.2b	Use of proceeds:	<p>[The net proceeds from each issue of Notes will be applied by the Issuer for the general corporate purposes of the Group which include making a profit.]</p> <p><i>[Issue-specific summary:</i></p> <p>The net proceeds from the issue of Notes will be [applied by the Issuer for its general corporate purposes, which include making a profit [and[ ]]/[applied by the Issuer for [ ]].]</p>
E.3	Terms and conditions of the offer:	<p>If so specified in the Final Terms, the Notes may be offered to the public in a Non-exempt Offer in Ireland, Portugal and the United Kingdom.</p>

## SUMMARY

Element	Title	
		<p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the Final Terms. An Investor intending to acquire or acquiring any Notes in a Non-exempt Offer from an Authorised Offeror will do so, and offers and sales of such Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements. <i>(Delete this paragraph and the preceding paragraph when preparing an issue specific summary)</i></p> <p><b>Issue specific summary:</b></p> <p>[Not Applicable - the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency.)] [This issue of Notes is being offered in a Non-exempt Offer in <i>[specify particular country/ies]</i>.]</p>
<b>E.4</b>	<b>Interest of natural and legal persons involved in the issue/offer:</b>	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. <i>(Delete this paragraph when preparing an issue specific summary)</i></p> <p><b>Issue specific summary:</b></p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to <i>[specify]</i> per cent. of the nominal amount of the Notes. Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.</p> <p>Other than as mentioned above, [and save for <i>[specify]</i>,] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests. [A fee has been paid by the Dealer to a third party distributor. For specific and detailed information on the nature and quantity of such fee, the investor should contact the distributor of the Note.][The Notes have been sold by the Dealer to a third party distributor at a discount to the specified issue price. For specific and detailed information on the nature and quantity of such discount, the investor should contact the distributor of the Note.]]</p>
<b>E.7</b>	<b>Expenses charged to the investor by the Issuer:</b>	<p>[Not Applicable – No expenses will be charged to investors by the Issuer.]</p> <p><b>Issue specific summary:</b></p> <p>[No expenses are being charged to an investor by the Issuer. [For this specific issue, however, expenses may be charged by <i>[specify]</i> [an Authorised Offeror (as defined above)] in the range between <i>[specify]</i> per cent. and <i>[specify]</i> per cent. of the nominal amount of the Notes to be purchased by the relevant investor.]]</p>



## RISK FACTORS

### RISK FACTORS

*In purchasing Notes, investors expose themselves to the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer believe that the factors described below represent the principal factors which could materially adversely affect their businesses and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the markets risks associated with Notes issued under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

#### 1. Risk Factors relating to the Issuer

##### Risks Relating to the Portuguese Economy

***The Bank is highly sensitive to the evolution of the Portuguese economy, whose signs of recovery are still not enough to ensure a sustainable growth trend.***

The evolution of the Portuguese economy has a considerable impact on the Bank's business, its financial situation and net income. A substantial portion of the Bank's assets and operating profit is derived from Portugal, which accounted for 63% of the Bank's net operating revenue and 77% of total gross loans to customers in the end of the first nine months of 2016, compared to 62% and 75%, respectively, as at 31 December 2015. In addition, as at 30 September 2016, the Bank's holdings of EUR 4.4 billion (EUR 3.9 billion as at 31 December 2015) in Portuguese government bonds represented 6% (5.2% as at 31 December 2015) of its total assets. As such, developments in the Portuguese economy have had and will continue to have a material impact on the quality of the Bank's assets, its business, financial condition, results of operations and prospects.

The financial and economic difficulties that have affected the world economy since mid-2007 impacted the growth model that had supported the Portuguese economy since its adoption of the single currency which led Portuguese authorities to negotiate a financial assistance programme of EUR 78 billion (the PAEF, as defined above), with the International Monetary Fund ("IMF"), the European Commission ("EC") and the European Central Bank ("ECB"), which was formally approved on 17 May 2011, in a bid to stabilise its public finances, initiate a set of structural reforms that would promote competitiveness and stabilise the banking system.

In the short term, the structural reforms and readaptation of the productive structure had a negative impact on Portuguese economic activity, which contracted by 7%, in accumulated terms, between 2011 and 2013 (source: Portugal's National Statistics Institute, August 2016).

As the structural reforms and the fiscal consolidation started to bear results, the economic situation improved. In this sense, since the last quarter of 2013, the year-on-year gross domestic product ("GDP") growth rates have turned positive, beginning a period of moderate recovery of the economic activity, which has been supported by growth of exports, alongside an improving trend in domestic demand. In line with the economy's recovery, the unemployment rate declined to 10.5% in the third quarter of 2016 (source: Portugal's National Statistics Institute, November 2016). The consolidated value of the gross debt of the public administration in 2015 stabilised at 129% of GDP in 2015 (source: Portugal's National Statistics Institute, August 2016) and the public deficit, which was 11.2% of GDP in 2010, decreased to 4.4% in 2015 (source: Portugal's National Statistics Institute, September 2016). Although it is slightly above the Excessive Deficit Procedure (the "EDP") target, it represents an important effort of budgetary consolidation. This result was largely due to an increase in revenues, amid the growth in economic activity, efforts to reduce tax evasion and measures to control expenditure. The restructuring of balance sheets in both the public and private sectors, and growth in exports helped to reduce the external imbalance, leading to significant improvements in current and

## RISK FACTORS

capital account balances, which have been recording consecutive surpluses since 2012 (source: Banco de Portugal, December 2016).

In spite of recent improvements, the economic context remains challenging for Portugal. A significant degree of uncertainty persists regarding the ability of Portuguese issuers to obtain funding from abroad. External risks relate, in particular, to the possibility of a global economic slowdown in a context of greater volatility in international financial markets and to political uncertainty associated with the fears regarding the integrity of the European Union ("EU"), amid negotiations for the United Kingdom's exit from the EU (See *"The United Kingdom's impending departure from the EU could adversely affect the Bank's activity"*).

These aspects, combined with internal risks related to the process of reducing private and public sector debt and the potential need to implement further structural reforms in the labour and products and services markets, the pressure of a high tax burden on the real disposable income of families and companies, and the possibility of political turbulence associated with the governmental solution reached after the October 2015 parliamentary elections in Portugal, which did not give a parliamentary absolute majority to any of the parties, represent a challenging economic and political environment. Against this background, the EC forecasts that the economic recovery should continue at a moderate pace, as the GDP growth of 1.6% recorded in 2015 should be followed by an annual growth pace of 0.9% in 2016 and 1.2% in 2017 (source: EC, Autumn 2016). This growth is unlikely to increase disposable income and domestic demand in a material way or drastically reduce the still elevated levels of unemployment. In addition, the possibility of economic performance below expectations cannot be excluded in view of the investment retraction recorded in the nine months ended 30 September 2016 (source: Portugal's National Statistics Institute, November 2016). If these risks to economic growth were to materialise, demand for credit would predictably fall, the cost of funding could rise and the credit quality of the loans portfolio and other segments of the asset side of the Bank's balance sheet would deteriorate. (See *"The completion of the PAEF and the successful return of the Portuguese Republic to the capital markets do not eliminate the risk of further deterioration of Portugal's economic and financial condition."*).

The still uncertain macroeconomic conditions in Portugal are affecting, and will continue to affect, the behaviour and financial position of the Bank's customers and, therefore, the supply and demand of the products and services offered by the Bank. In particular, it is expected that the growth of loans will remain sluggish for the forthcoming years, hindering the creation of revenue supporting net interest income. Unemployment, low levels of business profitability and increased insolvency of companies and/or households had and may continue to negatively influence customers' capacity to repay loans. Consequently, non-performing loans ("NPLs") may increase, which would negatively impact the quality of the Bank's assets. Finally, taking into account Caixa Geral de Depósitos' recapitalisation, among other things, Portugal is still at risk of failing to comply with the deficit target, which could lead to repercussions from the EU level, including fines. This scenario could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Portuguese economy is undergoing a complex process of structural change with uncertain impact on potential economic growth and banking activity.***

The evolution of the Portuguese economy since the creation of the single currency in 1999 was characterised by weak growth levels in an environment of strong debt accumulation, public and private, internal and external, and of loss of competitiveness. Consequently, the Portuguese economy was placed in a vulnerable position upon the occurrence of the international financial crisis in 2007-2008 and the sovereign debt crisis in the Eurozone periphery in 2010. Faced with an unsustainable economic model that had been followed in the previous decade, the Portuguese economy was forced to adjust in a profound and structural manner. Some of the resulting changes arose from the need for improved competitiveness, which found an alternative to declining domestic demand in foreign demand, while other changes were expressly agreed in the context of the PAEF.

However, there are no guarantees that the structural changes already implemented will be sufficient to provide the Portuguese economy with the competitive levers that will enable it to produce strong enough growth to absorb the high levels of public and private indebtedness and there are also no guarantees that its implementation will continue consistently. A potential materialisation of these risks constitutes an important threat to the profitability of the Bank, due to the restriction it poses to the growth of business volumes, the maintenance of loan impairment at penalising levels or lower than expected tax revenues and the weak performance of the financial assets comprising the Bank's

## **RISK FACTORS**

portfolio – in particular, the Portuguese public debt securities. Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Portuguese economy is impacted by the performance and potential deterioration of foreign economies.***

In light of constraints on domestic demand, economic activity in the main countries receiving Portuguese exports is extremely important to the Portuguese economy. In this context, the possible deterioration of economic activity in the main trading partners of Portugal (as at August 2016 and according to Portugal's National Statistics Institute, in decreasing order: Spain, France, Germany, United Kingdom, United States, Netherlands, Italy, Angola, Belgium and Norway) could increase the risk of recession in the EU, which would exacerbate the economic and financial difficulties experienced in Portugal and affect the achievement of budgetary and structural targets required by the European authorities under the reinforced rules on macroeconomic stability, including the Fiscal Compact or Fiscal Stability Treaty and legislative measures implemented under the Stability and Growth Pact. Such deterioration may be derived from, among other factors, excessive levels of European debt, lower effectiveness of the transmission of monetary policy in a context of interest rates close to zero and deflation risks and the persistence of a climate of uncertainty and speculation inhibiting the creation of value that would have otherwise resulted from a full exercise of economic integration. Regarding markets outside the EU – particularly to countries in Africa and Latin America – the risks may be derived, among other adverse factors, from the intensification of competition, the emergence of protectionist policies and/or the maintenance of prices of the commodities on which those economies are heavily reliant at historically depressed levels, namely the oil-exporting countries, whose economic activity is expected to continue to be undermined by the declining trend of oil prices occurring since September 2014.

Any other significant deterioration of global economic conditions, including the credit profile of other countries of the EU, the solvency of Portuguese or international banks or relevant political, economic, or regulatory changes in the Eurozone, may lead to concerns relating to the capacity of the Portuguese Republic to meet its funding needs. Any deterioration could have a direct impact on the value of the Bank's portfolio of public debt bonds, which are primarily Portuguese and Polish. Any permanent reduction of the value of public debt bonds would be reflected in the Bank's equity position.

Moreover, any such deterioration of economic conditions could strongly affect the Bank's capacity to increase and/or generate capital and observe the regulatory minimum capital requirements, and could limit the Bank's capacity to obtain financing. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The completion of the PAEF and the successful return of the Portuguese Republic to the capital markets do not eliminate the risk of further deterioration of Portugal's economic and financial condition.***

The successful completion of the PAEF (source: IMF statement, 2 May 2014) and the return of the Portuguese Republic to the capital markets to raise funds do not preclude the need for additional austerity measures or structural adjustment actions to comply with the European treaties and directives, which may cause sudden and unexpected political or social instability and impart short term recessionary effects. In such circumstances, banking activity may face an adverse economic and financial climate, negative macroeconomic effects stemming from Portuguese or European public finances and the volatility of international financial markets, which would hinder the liquidity and profitability of the Portuguese financial system and result, for instance, in the devaluation of the Bank's holdings of Portuguese sovereign debt securities; liquidity restrictions on the Portuguese banking system and its concomitant dependence on external institutional funding; an increase in competition for customers' deposits and associated rise in cost; falling demand for banking products; limited lending; and the deterioration of the quality of the Bank's loan portfolio. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank still relies on funding from the ECB in significant amounts.***

The ECB has been a major funding source used by the majority of Portuguese banks during the financial crisis and the European sovereign debt crisis. As at 30 September 2016, the Bank had EUR 4.9 billion net of borrowings with the ECB (EUR 5.3 billion as at 31 December 2015), EUR 4 billion of which related to the new series of targeted longer-term refinancing operations ("TLTRO II"), corresponding to 7.1% of the Bank's liabilities (7.9% as at 31 December

## RISK FACTORS

2015, excluding Angola) and 21% of the total usage of the Portuguese banking system in that month (20.3% as at 31 December 2015), a level that stands clearly below the maximum value of EUR 17.4 billion recorded in April 2011 and that emphasises the gradual reduction of the Bank's dependency on the liquidity provided by the ECB.

The pool of eligible assets could be further eroded as a result of price devaluations, increase in haircuts following credit and sovereign downgrades or even the loss of eligibility of certain assets, such as those that benefit from measures implemented by the ECB to support liquidity, including the acceptance of debt instruments issued or guaranteed by the Portuguese government and the acceptance of additional credits. The reduction of the pool of eligible assets and the increased difficulty in raising eligible assets to compensate for such loss of eligibility would have a negative impact in terms of the potential for raising liquidity with the ECB, may result in the Bank having to find alternative funding sources, which may have a negative impact on the Bank's business, financial condition or results of operations and prospects and may require the Bank to sell some of its assets.

The objective of the Bank is to reduce the use of funding from the ECB by reducing the commercial gap<sup>2</sup> and issuing debt in the international wholesale funding markets. In order to achieve it, the Bank is implementing various measures to diversify its funding sources besides ECB funding, which could present a risk of increased cost of deposits (as at 30 September 2016, customer deposits accounted for 78% of the funding structure, from a liquidity management perspective).

The uncertainty surrounding access to capital markets as a source of funding for the Bank may also harm the ongoing diversification process of its funding sources, leading the Bank to excessive use of funding from the ECB. Increased market risk perception associated with accessing the markets and/or the persistency of the uncertainty surrounding access to the capital markets would exert pressure on the Bank to seek alternative funding sources, to accelerate its capital and liquidity plan and to increase its pool of collateral eligible for funding by the ECB, although there can be no assurances that it would be successful in its efforts to do so. If regulators require a quicker reduction of exposure to the ECB or if there are restrictions to access ECB funding, the Bank may be forced to anticipate the compliance time frame of its capital and liquidity plan, which would likely reduce profitability and hinder the deleveraging process. In addition, in the current economic climate, a review of liquidity conditions by the ECB could force the Bank to dispose of assets at a potentially significant discount in relation to their respective book values, with a corresponding negative impact on capital position and results of operations. Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### *The Bank is exposed to the risk of deterioration of the Portuguese sovereign risk premium.*

Despite a significant narrowing of the spread between the yields of Portuguese and German sovereign bonds of equivalent maturities since the peaks of 30 January 2012 (1561 basis points) (source: Bloomberg), there is no guarantee that this trend will continue as some signs have emerged during 2016 that it might have already changed (on 30 December 2016, the difference between yields of 10-year sovereign debt of Portugal and Germany was 365 basis points, which compares to 190 basis points as at 31 December 2015) (source: Bloomberg). In fact, there is a risk of deterioration of the Portuguese sovereign risk premium due to a number of factors:

- the high level of indebtedness of the Portuguese Republic raises sustainability issues if the long term growth potential of the economy remains low;
- the possibility that the Portuguese economy grows below the State's budget forecasts implies that the government's budgetary targets may not be met, in which case the EC may impose sanctions that adversely affect the economic and financial situation of the country;
- the uncertainty regarding the impact of both the recapitalisation programme of Caixa Geral de Depósitos and the selling conditions of Novo Banco, S.A. ("**Novo Banco**") on the budgetary balance measure relevant for the EDP;

---

<sup>2</sup> **Commercial gap** – total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.

## RISK FACTORS

- the possibility of further capital injections by the Portuguese government into the banking sector and the impact thereof on the public deficit and sovereign debt levels; and
- the eventual reduction or discontinuation of the ECB's sovereign debt securities purchase programme (see "*The Bank is exposed to risks associated with the implementation of the ECB's Quantitative Easing.*").

Should the foregoing occur, the resulting substantial worsening of sovereign debt risk could negatively impact the Bank's liquidity position, both through funding difficulties and the reduction of the pool of assets eligible for discount with the ECB, in addition to funding costs and the Bank's capacity to increase its loan and other asset portfolio with a negative impact on the financial condition, credit quality and operating results of the Group. These circumstances could be further aggravated by persistent volatility in the financial sector and capital markets or by financial difficulties, including the possible default of one or more financial institutions, which could lead to significant liquidity problems in the market in general, and to losses and defaults by other institutions. Furthermore, it is not possible to predict from current market conditions which structural and/or regulatory changes may be effected or if such changes could have a negative impact on the Bank. If current market conditions deteriorate, in particular for an extended period of time, this could lead to a reduction in credit availability, credit quality and increased default on debt, which could have a negative impact on the Bank's rating, business, financial condition, results of operations and prospects. On 21 October 2016, DBRS reviewed the Portuguese Republic's rating and maintained its long-term rating at BBB (low), affirming the stable outlook. Based on this decision, Portugal maintains its investment grade rating.

### ***Changes to the Portuguese government's economic policies may negatively impact the Bank's activities.***

The parliamentary elections in Portugal held at the beginning of October 2015 did not return a parliamentary majority of any of the parties and led to a government with parliamentary support from several political parties. This could prevent the implementation of economic policies aimed at ensuring the sustainability of public debt and the necessary fiscal adjustment to comply with the European treaties. Furthermore, even if such policies are implemented, their goals might not be achieved. In turn, this could affect the long-term growth potential of the Portuguese economy, thereby reducing the prospective profitability of the Bank's business. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank is exposed to risks associated with deflation.***

The resolution of recent economic turbulence remains uncertain and subject to changes in investor sensitivity and the current economic regime, and remains in need of an improvement in price competitiveness.

Such an environment is prone to deflationary pressures. In extreme cases, an unanticipated market shock that impacts on confidence levels may lead to a downward spiral of economic activity, employment rates, companies income levels and prices, with adverse repercussions on the Bank's business, financial condition, results of operations, prospects and profitability.

In the Eurozone, the annual inflation rate in July 2016 was estimated at 0.2% (source: Eurostat, August 2016), well below the ECB's target of close to, but below, 2%. According to the ECB analysis, the inflation rate is expected to remain at low levels for a prolonged period of time. Consequently, the ECB decided to implement new stimulus measures to fight the risk of deflation and contribute to the price stability goal. In Portugal, the inflation rate in 2015 (measured by the annual average growth rate of the harmonised index of consumer prices) was slightly positive (0.5%) and has stood at similar levels ever since (source: Portugal's National Statistics Institute, December 2016).

A context of a general reduction in prices affects expenditure, consumption and investment decisions, while increasing the real cost of debt and the risk of insolvency of companies, in particular when debt average levels are very high, as is the case in Portugal. A typical response of central banks to deflation is to aggressively reduce interest rates, in certain instances to negative figures, thus placing a downward pressure on the interest rate levels applied in the market. In this regard, the ECB announced on 10 March 2016 a set of measures aimed at strengthening economic activity and reducing the risk of deflation. These include an expansion of and an increase in the amount of the pool of eligible assets of the asset purchase programme, announced on 1 March 2015; a new series of 4 year TLTROs, first announced in June 2014, aiming to support lending to the non-financial private sector; the decision to decrease the interest rate on the main

## RISK FACTORS

refinancing operations of the Eurosystem from 0.05% to 0%, the marginal lending facility from 0.3% to 0.25% and the deposit facility interest rate from -0.3% to -0.4%.

A deflationary environment may affect the financial condition of the Bank, in particular: (i) by reducing business volumes due to a decrease in expenditures commensurate with the expected contraction of economic activity; (ii) by compressing the net interest margin, as imbalances may arise between the indexing of income yields to market reference rates, which remain at very low or negative levels, and the income paid on fixed interest-bearing liabilities, representing a real burden on debt; (iii) by reducing the relative income benefit on demand deposits; (iv) by lowering asset quality, as the credit at risk increases or the assets on the balance sheet or collateral have been devalued; and (v) through expectations of market participants and economic agents, making it more difficult or costly for regular financing in wholesale markets and establishing a climate of uncertainty and volatility in financial markets, in trading results and on counterpart risks.

A deflationary environment in general could adversely affect the Bank's business, financial condition, results of operations and prospects.

### ***The Bank is exposed to risks associated with the implementation of the ECB's Quantitative Easing.***

In order to restore financial stability and fulfil its inflation mandate, in January 2015 the ECB decided to implement a programme of quantitative easing. Under this programme, the ECB purchases debt securities issued by both private and public entities. This measure, which has never been adopted before in the Economic and Monetary Unit (the "EMU"), has been crucial to maintaining the yields of Portuguese government bonds at relatively low levels (the average yields of 10-year Portuguese sovereign debt were 3.2% for the year ended 31 December 2016, which compares to 3.75% for the year ended 31 December 2014 (source: Bloomberg).

Therefore, the tapering of the ECB's debt purchase programme or its outright discontinuation could have a substantial downward impact on the valuation of the Portuguese government's debt, which would in turn hurt banks directly through the investment book and indirectly by affecting the price and availability of the banks' funding in the market. The tapering or discontinuation of the ECB's debt purchase programme could be the result of technical reasons, related to the need to preserve normal competitive conditions in the debt markets, political restrictions, or improvements in the prospects of the European economy. If the ECB continues tapering or even discontinues its public debt purchase programme, it may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

### ***The Budgetary Treaty may permanently confine economic policymaking, with potential adverse effects on the Bank's operational activity.***

On 14 June 2013, the Budgetary Treaty of the EMU was adopted into national legislation (by means of Portuguese Law No. 37/2013, of 14 June 2013) in order to strengthen fiscal discipline through the introduction of a "balanced budget rule" and an automatic mechanism for corrective action. In particular, the treaty states that the structural budget deficit in each country must not exceed 0.5% of GDP at market prices. Additionally, fiscal balances of the Member States must comply with specific medium-term objectives, as defined under the Stability and Growth Pact, and must be monitored annually in the context of the EU's annual cycle of economic policy guidance and surveillance ("**European Semester**"). If a Member State deviates from the defined goal, an automatic corrective mechanism would be activated. Member States whose debt exceeds 60% of GDP will be required to adopt measures aimed at reducing their debt to a pre-set rate, taking as a reference standard reduction at an average rate of one twentieth per year (even if their deficits are below 3% of GDP, which constitutes the reference value for the EU).

Given the current magnitude of Portuguese government debt (133.1% of GDP in the nine months ended 30 September 2016, according to Banco de Portugal), these measures will likely impose a long-term limit on the ability of the Portuguese government to stimulate economic growth through increased expenditure or a reduction of the tax burden.

Any limitation on the growth of the Portuguese economy or to the ability of the Portuguese government to stimulate growth could have a material adverse effect on the Bank's business, financial condition, results of operations or its prospects. All these factors could contribute to a deterioration of the financial and economic condition of the Bank.

## RISK FACTORS

***The Portuguese Republic may be subject to downgraded rating reviews by the rating agencies, which could affect the funding of the economy and the Bank's activity.***

Rating agencies Standard & Poor's, Moody's, Fitch and DBRS have downgraded the long and short-term ratings of the Portuguese Republic on several occasions since the beginning of the financial crisis due to the uncertainties and risks of a prolonged recession, the outlook for modest GDP growth, high levels of unemployment, limited fiscal flexibility, the high leverage of the private sector and the level of sustainability of Portuguese public debt. The long term ratings of the Portuguese Republic as at 30 September 2016 were as follows: Moody's (Ba1), Standard & Poor's (BB+), Fitch (BB+) and DBRS (BBB Low), all with a stable outlook.

The rating by DBRS is the only rating classifying Portugal as investment grade, thus allowing Portuguese banks to post Portuguese treasury bonds as collateral at the ECB. Consequently, a downgrade by DBRS could lead to the Portuguese banking system's loss of access to ECB funding, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects. A change of the outlook to negative by DBRS, although not leading to the loss of eligibility of the treasury bonds, may reduce the potential for financing with the ECB. If DBRS downgrades the rating by one notch, the Bank's portfolio of assets eligible for refinancing with the ECB will decrease by around EUR 2 billion, while representing approximately EUR 6 billion in available assets (compared to EUR 8.2 billion as at 30 September 2016). On 21 October 2016, DBRS reviewed the Portuguese Republic's rating and maintained its long-term rating at BBB (low), affirming the stable outlook. Based on this decision, Portugal maintains its investment grade rating.

Moreover, the rating of the Portuguese banking sector may be negatively affected by the implementation of certain legislative measures, including those that may have potentially adverse effects on the investors' level of protection, as foreseen by the BRRD.

On the other hand, the risk of political turmoil, resulting from the minority position of the governing party in the elections held in October 2015, together with the concerns about the reversal of the structural reforms established under the PAEF and the materialisation of a scenario of slowdown in the recovery of the Portuguese economy (see "*The completion of the PAEF and the successful return of the Portuguese Republic to the capital markets do not eliminate the risk of further deterioration of Portugal's economic and financial condition*" and "*The Bank is highly sensitive to the evolution of the Portuguese economy, whose signs of recovery are still not enough to ensure a sustainable growth trend*" and "*The Bank is exposed to the risk of deterioration of the Portuguese sovereign risk premium*") could also lead to a downgrade of the Portuguese Republic's debt rating, which would worsen the economy's funding conditions and would have a negative effect on the Bank's credit risk and consequently on its business, financial condition, results of operations and prospects.

***A relapse of the sovereign debt crisis of the Eurozone and the uncertainty regarding the integrity of the EU constitute potential sources of turbulence for the markets that may impact the Bank's activity.***

The possibility of another sovereign default, the continuing high levels of public and private debt in several Member States and the uncertainty regarding the robustness of the European financial sector could lead to market turbulence and instability, which could negatively impact the Bank's activity. Additional risks to the stability of the EU could arise from the negotiations in connection with the United Kingdom's exit from the EU following the 23 June 2016 referendum (see "*The United Kingdom's impending departure from the EU could adversely affect the Bank's activity*"). The growing popularity of anti-European and Eurosceptic political parties in several Member States is creating uncertainty, in particular given the fact that both France and Germany will hold general elections in 2017. In this regard, should any of these elections result in a parliamentary constellation detrimental to the stability of the EU or the EMU, it could lead to negative consequences for the Portuguese economy. If any or all these risks were to materialise, it could result in severe pressure on the conditions and financing costs of Portuguese banks, particularly regarding deposits and asset depreciation, with a significant impact on the net interest margin and results of the Bank, credit impairments and mark-to-market valuation of financial assets.

Moreover, the mere existence of a risk to the integrity of the EU or the EMU might lead the Bank's customers to reallocate their savings towards other countries that are perceived to be fundamentally more stable than Portugal, thereby posing additional pressure on the financing costs of Portuguese banks and thus adversely affecting the net

## RISK FACTORS

interest margin and the results of the Bank. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### **The United Kingdom's impending departure from the EU could adversely affect the Bank's activity.**

On 23 June 2016, the United Kingdom held a referendum on the country's membership of the EU, according to which the United Kingdom voters elected to leave the EU ("**Brexit**"). The referendum does not directly bind the British government to specific actions and does not require that it begins the exit procedure under Article 50 of the Treaty on EU or set any time limit for this to be done, although the negotiation process for the exit is expected to be initiated in 2017. However, the full impact of Brexit is currently unknown and would vary depending on the terms of the United Kingdom's withdrawal (if the membership is not renegotiated), which would have to be negotiated with the EU, and on the prevailing economic climate.

The consequences of Brexit are uncertain with respect to the EU integration process, the relationship between the United Kingdom and the EU, and the impact on economies and European businesses. Should international trade between the United Kingdom and the Member States become significantly restricted in the future, the Portuguese economy could be adversely affected, given the importance of the United Kingdom as a market for the export of goods, with a 6.7% share in 2015 (source: Ministry of Economy, October 2016) and as a source of tourism, with 24.3% of Portuguese tourists arriving from the United Kingdom in 2015 (source: Portugal's National Statistics Institute, July 2016).

Accordingly, there can be no assurance that the Bank's business, results of operations, financial condition and prospects will not be affected by market developments, notably the depreciation of the exchange rate of GBP against the euro and higher financial market volatility in general due to increased uncertainty of the aforementioned factors.

### ***A material decline in global capital markets and volatility in other markets could adversely affect the activity, results and value of strategic investments of the Bank.***

Investment returns are an important part of the Bank's overall profitability, particularly in relation to the life insurance business carried out by the Millennium bcp Ageas joint venture and the Bank's investment banking business.

Uncertainty in global financial markets stemming from the price volatility of capital market instruments may materially and adversely affect the Bank's life insurance business and investment banking operations, impacting its financial operations and other income and the value of its financial holdings and securities portfolios.

In particular, a decline in the global capital markets could have an adverse effect on the sales of many of the Group's products and services, such as unit-linked products, capitalisation insurance, real estate investment funds, asset management services, brokerage, primary market issuances and investment banking operations, and significantly reduce the fees related to them, as well as adversely affect the Bank's business, financial condition, results of operations and prospects. As a minority shareholder of Millennium bcp Ageas, the Bank is at risk of being required to inject capital into the company if its solvency ratio falls below a certain predefined level, which could occur if certain products of Millennium bcp Ageas do not meet a minimum level of return. Furthermore, the prolonged fluctuation of stock and bond market prices or extended volatility or turbulence of markets could lead to the withdrawal of funds from markets by investors, which would result in lower investment rates or in the early redemption of life policies. Any such decrease could negatively influence the placement of the Bank's investment products. Therefore, a decline in the capital markets in general could adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank also maintains trading and investment positions in debt securities, foreign exchange, equity and other markets. These positions could be adversely affected by volatility in financial and other markets and in Portuguese sovereign debt (EUR 4.4 billion as at 30 September 2016, of which EUR 4.2 billion is on the available for sale book, EUR 38 million is in the trading portfolio and EUR 146 million is in the portfolio of other financial assets using the fair value option), creating a risk of substantial losses. In particular, the gains pertaining to the portfolio of Portuguese public debt held until maturity were EUR 296.7 million in 2014 and EUR 396.3 million in 2015, with potential losses in the Portuguese public debt available for sale assets portfolio in September 2016 standing at around EUR 305.7 million. However, the reversal of the downward trend in Portuguese government bond yields that led to the positive results



## **RISK FACTORS**

observed in 2014 and 2015 may not be repeated in the future and there is a risk that losses may arise. In fact, the increase of the yields of the Portuguese sovereign debt in the last quarter of 2016 should result in a worsening of the potential losses recorded in the Bank's portfolio of assets available for sale. Volatility can also lead to losses relating to a broad range of the other trading and hedging products that the Bank uses, including swaps, futures, options and structured products. Significant reductions in estimated or actual values of the Bank's assets have occurred from previous events in the market. Continued volatility and further fragmentation of certain financial markets may affect the Bank's business, financial condition, operating results and prospects. In the future, these factors may have an influence on day-to-day valuations of the Bank's financial assets and liabilities, recorded at fair value.

### **Acts of terrorism, natural disasters, pandemics and global conflicts may have a negative impact on the Bank's business and operations.**

Acts of terrorism, natural disasters, pandemics, global conflicts or other similar catastrophic events could have a negative impact on the Bank's business, financial condition, results of operations and prospects. Such events could damage the Bank's facilities, disrupt or delay the normal operations of its business (including communications and technology), result in harm or cause travel limitations on the Bank's employees, and have a similar impact on its clients and counterparties. These events could also negatively impact the purchase of the Bank's products and services to the extent that those acts or conflicts result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity, or in financial market settlement functions. In addition, war, terror attacks, political unrest, global conflicts, the national and global efforts to combat terrorism and other potential military activities and outbreaks of hostilities may negatively impact economic growth, which could have an adverse effect on the Bank's business, results of operations, financial condition and prospects, besides other adverse effects on the Bank in ways that it is unable to predict.

### **Legal and Regulatory Risks**

#### ***The Bank is subject to increasingly complex regulation that could increase regulatory and capital requirements.***

The Bank conducts its business in accordance with applicable regulations and is subject to related regulatory risks, including the effects of amendments to laws, regulations and policies in Portugal and in other countries where the Bank operates. As a result of the economic and financial crisis which began in 2007, Portuguese and international regulatory entities, including the ECB, Banco de Portugal and the European Banking Authority (the "**EBA**"), have considered and continue to consider significant changes to the Bank's regulatory framework, particularly in relation to capital adequacy and the scope of the Bank's operations. Consequently, the Bank could face more intense regulation that could adversely and significantly impact the results of its operations.

The credit risk models that the Bank has implemented are supervised and monitored continuously by the supervisory authorities, with whom the Bank maintains a regular dialogue on the matter. Adjustments to those credit risk models, with a view to their better calibration in light of possible context changes, requested by the supervisory authorities or as a result of the Bank's initiative, may imply an upward revision of the amount of risk weighted assets and, consequently, have a negative impact on the capitalisation level of the Bank.

Currently, the Bank is introducing changes to the set of models used in the scope of the internal ratings methodology ("**IRB**") for capital requirements calculation. These changes reflect the most recent recommendations received in the context of the aforementioned discussion and following the inspections performed regularly by the Single Supervisory Mechanism (the "**SSM**"), namely regarding the Loss Given Default ("**LGD**") models for the retail segment to be implemented by the end of the first half of 2017. While some changes to the corporate segment will have an impact on 2016 and the remaining are expected to be implemented by the end of the first half of 2017. The implementation of these recommendations may imply a reduction in capital ratios. The final impact depends on the conclusions of the assessment of the supervisory authorities regarding the adequacy and completeness of the amendments. Potential future adjustments to credit risk models, arising from context changes, requested by the supervisory authorities or on the Bank's initiative, may have repercussions on the amount of risk weighted assets and, consequently, an impact on the capitalisation level of the Bank.

## RISK FACTORS

Regarding the capital requirements, the implementation of and compliance with new regulations may increase such requirements and could result in increased preparation and disclosure requirements, restrictions on certain types of transactions, limitations to the Bank's strategy, and/or limitations to or modification of the rates or fees charged by the Bank for certain loans and products. Any of the above may reduce the business volume and the yield of the Bank's investments, assets or holdings, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

For further details regarding the rules related to the implementation of Basel III and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 ("**CRD IV**") and Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 ("**CRR**" and together with CRD IV, "**CRD IV/CRR**"), please see "*Description of the Business of the Group – The Portuguese Banking System*".

These regulations are not yet finalised and there is no binding date for implementation. Nevertheless, if the modifications come into force, the Bank may be required to raise new capital or to implement other equivalent measures to strengthen its capital ratios at unfavourable terms, which may impact the Bank's business, financial condition and prospects.

If the Bank's capital ratios fall below the minimum (legal or regulatory) threshold, the Bank may need to adopt additional measures to strengthen its capital ratios, such as an acceleration of the deleveraging process, the reduction of risk weighted assets ("**RWAs**"), the sale of non-core assets and other measures including future rights issues. Furthermore, the demand for additional capital adequacy requirements from the Bank may result in the need to reinforce its equity in order to fulfil more demanding capital ratios, thereby increasing the costs to the Bank and reducing the return on equity. Any of the aforementioned situations could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Regarding liquidity requirements, new regulatory requirements and changes to levels of adequate capitalisation and leverage could require the Bank to obtain additional liquidity in the future (see "*Description of the Business of the Group - The Portuguese Banking System*").

Basel III recommendations also provide for the setting of short and long term liquidity ratios and funding, namely the "Liquidity Coverage Ratio" ("**LCR**") and the "Net Stable Funding Ratio" ("**NSFR**") (see "*Description of the Business of the Group - The Portuguese Banking System*"). As the profitability of financial assets is generally inversely correlated with their liquidity, the compliance with these ratios by the Bank may lead to the need to strengthen or create a portfolio of highly liquid but low-margin assets and/or increase funding costs, since the method for calculating these ratios favours long-term over short-term funding, which may therefore adversely impact the Bank's business, financial condition, results of operations and prospects.

The Banking Union's regulatory framework uses a leverage ratio, and the leverage ratio was 6.2% phased-in and 4.8% fully implemented as at 30 September 2016 (see "*Description of the Business of the Group - The Portuguese Banking System*"). In particular, a global systemically important institution ("**G-SII**") could face additional requirements, although it is currently not anticipated that Portuguese banks may be classified as G-SIIs. However, the classification of the Bank as another systemically important institution ("**O-SII**") could lead to increased costs to the Bank, which may therefore adversely impact the Bank's business, financial condition, results of operations and prospects.

Although the implementation process is close to being concluded, there are still some uncertainties regarding the implementation of Basel III, given the process of revision of some of the measures and procedures, including the development process of redefinition of materiality of sovereign risk, revision of standard models for credit risk and operational risk, technical revision of estimation of risk factors used in internal models and calibration procedures of floors used in risk weighted assets. The revision of the regulatory framework could imply equity changes and asset and liability management of the Bank, which may therefore adversely impact the Bank's business, financial condition, results of operations and prospects.

## RISK FACTORS

***The Banking Union may impose additional regulatory requirements that may condition the Bank's results, and relevant uncertainties remain regarding the definition and implementation of the European Deposit Insurance Scheme.***

In an effort to harmonise the regulation and supervision of banking activities across the EU and especially in the Eurozone, the EC established two new institutions and has modified the rules related to banking resolution and to the European deposit guarantee schemes (please see "*Description of the Business of the Group – The Portuguese Banking System*").

The regulatory framework under the Banking Union and future modifications to it may result in or require changes to the strategic positioning of financial institutions, including their business model and risk exposure, and could result in additional costs in order to ensure compliance with the new requirements. Therefore, the new regulatory regime, even if gradually implemented until the beginning of the next decade, will limit the Bank's room for discretion. This may potentially restrict the Bank's ability to comply with its financial undertakings regarding debt and equity instruments.

### *Single Supervisory Mechanism ("SSM")*

The Banking Union assigned the role of direct banking supervisor to the ECB to ensure that the largest banks in Europe, including the Bank, are independently supervised under common rules (see "*Description of the Business of the Group - The Portuguese Banking System*"). The SSM is also responsible for the regular evaluation and measurement of risks for each bank and, consequently, of the capital and liquidity adequacy of the credit institution through the global evaluation of own funds adequacy.

The Bank is currently in compliance with Supervisory Review and Evaluation Process ("**SREP**") requirements (see "*Description of the Business of the Group - The Portuguese Banking System*"). Even though the Bank is convinced that its current and expected levels of capital are adequate, these requirements may change in the future which could have an impact on the Bank's capital needs and adversely affect the Bank's business, financial condition, results of operations and prospects.

A change in the prudential supervision framework may:

- (a) impose additional capitalisation demands on the Bank, in particular if the ECB requires the reclassification of assets and/or a revision of coverage levels for impairment, which could subject the Bank to additional capital requirements, or to any future stress tests; and
- (b) given the classification of the Bank as an O-SII, lead to higher combined capital buffer requirements.

If, following a capital requirement exercise, such as a stress test, capital quality or risk management assurance exercise or equivalent exercise, a capital deficit is identified, it could adversely affect the cost of funding for the Bank and have a materially adverse impact on its business, financial condition, results of operations and prospects. The Recapitalisation Plan could include, among other measures that aim to reduce capital needs:

- (i) the voluntary conversion of subordinated debt instruments;
- (ii) liability management exercises;
- (iii) sale of specific assets;
- (iv) sale of credit risk portfolios (either outright or synthetically); and
- (v) earnings retention.

Any residual capital deficit that is not covered by the Recapitalisation Plan may need to be covered by the bailing in of Noteholders under the BRRD or through recourse to State aid. This assistance involves an allocation of costs by shareholders and creditors, including the holders of common equity tier 1 ("**CET 1**") hybrid capital instruments. It may

## RISK FACTORS

also take the form of conversion of major CET 1 or a reduction in the value of the financial instruments foreseen in the Recapitalisation Plan. Under the current applicable regime, contributions from the priority debt holders (including deposits guaranteed by the Deposit Guarantee Fund (the "**DGF**") and deposits with real guarantees) are not required.

Any of the situations described above could adversely impact the Bank's business, financial condition, results of operations and prospects.

### *Single Resolution Mechanism*

BRRD: Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014 establishes a framework for the recovery and resolution of credit institutions and investment companies. The BRRD has been implemented into Portuguese law by Law No. 23 A/2015, of 26 March 2015, encompassing several changes to the Legal Framework of Credit Institutions and Financial Companies (see "*Description of the Business of the Group - The Portuguese Banking System*").

In the event of a bank's critical financial instability, the Banking Union's framework is also designed to minimise the impact of any particular bank's financial difficulties on the financial system and on taxpayers. Under the envisaged SRM, shareholders of the institution would be the first to bear losses, followed by lenders (including the Noteholders).

Guaranteed deposits are expected to be safeguarded and creditors should not bear losses greater than those that they would have suffered had the institution been liquidated under ordinary insolvency proceedings. As such, the use of resolution tools and powers provided for by the Banking Union may disrupt the rights of shareholders and creditors. In particular, the power of the authorities to transfer the shares or all or part of the assets of an institution to a private purchaser without the consent of shareholders affects the property rights of shareholders. In addition, the power to decide which liabilities to transfer out of a failing institution based upon the objectives of ensuring the continuity of services and avoiding adverse effects on financial stability may affect the equal treatment of creditors. To avoid having institutions structure their liabilities in a way that impedes the effectiveness of the bail-in or other resolution tools and to avoid the risk of contagion or a bank run, the BRRD requires that institutions meet a robust minimum requirement for own funds and eligible liabilities ("**MREL**") at all times (see "*Description of the Business of the Group - The Portuguese Banking System*").

For each of the components of the MREL, the resolution authority may consider upward or downward adjustments, on the basis of a thorough case-by-case analysis of financial information, supervisory data and resolution strategies. In order to meet MREL requirements, the Bank may need to issue MREL-eligible instruments, impacting its funding structure and financing costs. Such mechanisms and procedures, besides having the capacity to restrain the Bank's strategy, could increase the average cost of the Bank's liabilities, in particular, without limitation, the cost of additional Tier 1 and Tier 2 instruments and thus negatively affect the Bank's earnings. These instruments may also result in a potential dilution of the percentage of ownership of existing shareholders, given their convertibility features.

The SRM and SRF are regulated by Regulation (EU) No. 806/2014 of the European Parliament and of the Council, of 15 July 2014 ("**SRM Regulation**"), which also established the framework for recovery and resolution of credit institutions and the calculation method of the annual contributions for the funding of the resolution mechanism (see "*Description of the Business of the Group - The Portuguese Banking System*").

Pursuant to the SRM Regulation, the use of the SRF shall be contingent on an agreement coming into force between the Member States involved, regarding the transfer of funds obtained at a national level for the SRF and the gradual merger of the different funds obtained at a national level, to be allocated to the national sections of the SRF, including the resolution fund created in Portugal (the "**Resolution Fund**"), in order to give financial support to the application of resolution measures adopted by Banco de Portugal (see "*Description of the Business of the Group - The Portuguese Banking System*"). The SRM Regulation is applicable since 1 January 2016. As such, the SRF does not cover current situations related to the Portuguese Resolution Fund as at 31 December 2015.

At the present date, there is no estimate as to the amount of potential losses to be incurred by the Resolution Fund resulting from the sale of Novo Banco, the litigation associated with the resolution process of Banco Espírito Santo, S.A. ("**BES**"), including in respect of the so-called "lesados do BES" proceedings ("proceedings of BES' injured

## RISK FACTORS

persons") and the attempts to find a solution for such proceedings, any potential losses following the resolution of Banco Internacional do Funchal, S.A. ("BANIF") and costs related to the respective processes, nor as to how they may affect the Bank, the amount and timing of future contributions or the repayment of credits granted to the Resolution Fund.

Following a clarification by the Bank of Portugal, potential contributions from the banks participating in the Resolution Fund will only be recorded when they are due and paid and the contribution to the Resolution Fund should only be recognised as a cost in the year in which it is due and the payment occurs. In addition, public announcements, both by the Resolution Fund and by the Portuguese government, indicate that no special contribution is foreseen and that it will not be necessary to recognise a liability in advance.

In 2015, the periodical contributions paid by the Bank to the Resolution Fund correspond to approximately 20% of the total periodical contributions paid by the banking sector. The amount of the periodical contribution is calculated every year pursuant to Notice 1/2013 of Banco de Portugal, as amended by Notices 8/2014 and 14/2014, using a base rate which is published by Banco de Portugal after consulting with the Resolution Fund and the Portuguese Banking Association ("*Associação Portuguesa de Bancos*"). There can be no assurance that in the future Banco de Portugal will maintain the current base rate (which is 0.0291% for the periodical contribution of 2017). Increases in the base rate in future years may reduce the Bank's profitability. See "*Description of the Business of the Group - The Portuguese Banking System*".

On 28 September 2016, the Resolution Fund and the Ministry of Finance announced the extension of the EUR 3.9 billion loan originally granted to the Resolution Fund in 2014 for the financing of the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan ensures the capacity of the Resolution Fund to meet its obligations in full through its regular revenue, regardless of the positive or negative contingencies to which the Resolution Fund is exposed. Therefore, according to the Ministry of Finance, there will be no need to levy any extraordinary contributions to finance the Resolution Fund, thereby contributing to maintaining the stability of contributive efforts demanded of the banking sector at current levels and any increase or decrease in the responsibilities resulting from the materialisation of future contingencies will only determine the adjustment of the maturity of loans granted by the State and by the participating banks to the Resolution Fund.

*BES Resolution:* Pursuant to the decision by Banco de Portugal on 3 August 2014, the Resolution Fund participated in the recapitalisation of Novo Banco in the amount of EUR 4.9 billion. The Resolution Fund owns in full Novo Banco's equity, valued at EUR 4.9 billion as at 31 December 2015 (of which EUR 3.9 billion from a loan granted by the State, EUR 700 million from a loan granted by a group of credit institutions, including the Bank, that are members of the Resolution Fund, and the remaining amount from the mobilisation of resources available to the Resolution Fund).

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the responsibilities arising from the "[...] possible negative effects of future decisions, resulting from the resolution process (of BES), which result in liabilities or contingencies". On 7 July 2016, the Resolution Fund stated that it will analyse and assess the necessary steps to be taken following the disclosure of the results of the independent valuation exercise, performed to estimate the level of credit recovery by each creditor class in the hypothetical scenario of a normal insolvency proceeding of BES as at 3 August 2014. Pursuant to applicable law, if at the completion of BES's winding up, it is concluded that creditors, whose credits have not been transferred to Novo Banco suffered a loss higher than the loss they would have hypothetically suffered if BES had initiated its winding up process immediately before the resolution measure was adopted, such creditors will have the right to receive the difference from the Resolution Fund.

As at the date of this Base Prospectus, the second procedure for the sale of the Resolution Fund's stake in Novo Banco was ongoing. As communicated by Banco de Portugal on 4 November 2016, five acquisition proposals have been received, which are being analysed in light of the admissibility and selection criteria set out in the tender documents. Although the Bank has participated in that phase of the process, it has not presented a proposal for the referred acquisition. However, it has sent a letter in which it states that the Bank is available to re evaluate the process under certain conditions which would be compatible with its objectives and priorities and would not have an adverse impact on the capital ratios. On 4 January 2017 Banco de Portugal announced that Lone Star was the prospective purchaser best placed to successfully complete the negotiating process and has decided to invite this entity to deepen negotiations. Banco de Portugal also announced that this new negotiation phase with Lone Star does not predict the improvement of

## RISK FACTORS

offers from the remaining prospective purchasers who submitted offers and who have shown willingness to do so. According to publicly available information, the volume of litigation associated with the BES resolution process is high. The losses that the Resolution Fund may incur have not been quantified and, therefore, it is not possible as at the date of this Base Prospectus to quantify the impacts that the resolution of BES may have on BCP.

In the event of a shortage of funds, arising from the sale proceeds being lower than the value of Novo Banco recorded in the Resolution Fund's balance sheet, a negative financial impact, of an uncertain nature, on the Resolution Fund and, indirectly, on the Portuguese banking sector, could occur. The definition of the financing structure of a possible shortage (in terms of type of contribution, its distribution in time and any recourse to temporary loans) will depend on the amount of such hypothetical shortage.

Although according to Article No 5 (e) of the Regulation of the Resolution Fund, approved by the Ministerial Order (*Portaria*) No. 420/2012, of 21 December, the Resolution Fund may submit to the Government a proposal for the implementation of special contributions to rebalance the financial condition of the Resolution Fund, public communications from both the Resolution Fund and from the Government indicate that no special contributions are foreseen. Moreover, the regular periodic contributions received by the Resolution Fund, whose calculation base rate was increased from 0.02% in 2016 to 0.0291% in 2017, together with the extension of the maturities of the loans granted to the Resolution Fund for the financing of the resolution measures applied to BES and BANIF reinforce the expectation that the recourse to special contributions is unlikely and concomitantly the need to recognize a liability upfront.

According to the Banking Law, Article No 153-I (4), should the payment of those special contributions compromise the Bank's liquidity or its solvency, the Bank of Portugal can suspend them. The Resolution Fund also confirms that the financing will be structured in such a manner as to not only avoid jeopardising the solvency of any bank but also to preserve financial stability. Furthermore, the Commission Delegated Regulation (EU) 2016/778 of 2 February 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council, stipulates the circumstances and conditions under which the payment of extraordinary ex-post contributions may be partially or entirely deferred.

The impact of the above is uncertain and the Bank cannot assure that the current understanding/framework and related contributions will not be changed in the future (i.e. that recourse to special contributions may occur) thus negatively impacting BCP's financial condition, including a negative impact on net income, capital ratios, earnings and long-term targets.

*BANIF resolution:* Banco de Portugal decided on 19 and 20 December 2015 to apply a resolution measure to BANIF. In January 2013, BANIF was recapitalised by the Portuguese State in the amount of EUR 1,100 million (EUR 700 million in the form of special shares and EUR 400 million in hybrid instruments). This recapitalisation plan also included a capital increase by private investors in the amount of EUR 450 million, which was concluded in June 2014. Since then, BANIF reimbursed the Portuguese State EUR 275 million, but was unable to reimburse a EUR 125 million tranche in December 2014. BANIF's sale process was initiated in 2015, but on 19 December 2015 the Ministry of Finance informed Banco de Portugal that a voluntary sale was not feasible, and thus a sale would have to be made in the context of a resolution procedure. BANIF was sold to Banco Santander Totta, S.A. ("**BST**") on 20 December 2015 for EUR 150 million, but some of the assets and liabilities that were not included in the perimeter of BANIF that was subject to sale were transferred to a special purpose vehicle, Oitante, S.A., that, as at 30 September 2016, was held by the Resolution Fund. According to Banco de Portugal, the adjustments associated with the agreement between the Portuguese and European authorities and BST involve estimated public support of EUR 2,255 million intended to cover future contingencies, of which EUR 489 million will be contributed by the Resolution Fund and EUR 1,766 million will be contributed directly by the Portuguese Republic.

Under Article 153-O of the Legal Framework of Credit Institutions and Financial Companies, the Resolution Fund may be required to finance the implementation of the resolution measures applied by Banco de Portugal and the resulting general and administrative expenses. As at 30 September 2016, there was no reliable estimate of the potential losses to be incurred by the Resolution Fund, notably those that have been publicly mentioned as potentially applicable arising from (i) the sale of Novo Banco, (ii) the litigation relating to the BES resolution process, (iii) the resolution process of BANIF and related expenses, and (iv) the amount and timing of the Bank's contributions to the Resolution Fund and the reimbursement of the loans granted by the Bank to the Resolution Fund. Thus, the impact of the BES and BANIF

## RISK FACTORS

resolution processes on the Bank, which participates in the Resolution Fund, could depend on external factors not controlled by the Bank, including the proceeds from the Resolution Fund assets, the future funding needs and contingent liabilities of the Resolution Fund. The Ministry of Finance has stated that there will be no need to levy any extraordinary contributions to finance the Resolution Fund as it will continue to be financed over the coming years by the periodical contributions and the proceeds from the levy on the banking sector. However, there can be no assurance that in the future Banco de Portugal will maintain the current base rate used for calculating the periodical contribution. Increases in the base rate in future years may reduce the Bank's profitability. See "*Description of the Business of the Group - The Portuguese Banking System*".

On 28 September 2016, the Resolution Fund and the Ministry of Finance communicated an agreement for the basis of a review of the conditions of the EUR 3,900 million loan originally granted by the Portuguese State to the Resolution Fund in 2014 for the financing of the resolution measure applied to BES. Currently, this loan's maturity is 31 December 2017 and, according to the abovementioned communications, the basis of the agreement will allow the extension of that maturity in order to guarantee that the collection of extraordinary contributions for the financing of the Resolution Fund will not be necessary, regardless of the proceeds or of the additional liabilities that the Resolution Fund may receive or pay following the resolution measures applied to BES and BANIF. These communications also mentioned that the conditions agreed between the Ministry of Finance and the Resolution Fund will be subject to formalisation as soon as the necessary technical work is completed and should be extended to the remaining loans obtained by the Resolution Fund. At the present date, changes to loans obtained by the Resolution Fund have not yet been formalized.

In relation to the resolution measure applied to BES, a loan by a banking syndicate to the Resolution Fund in the total amount of EUR 700,000,000 was also executed in 2014. BCP participated in this loan. The initial maturity of the loan was extended and currently matures on 31 December 2017. The repayment of principal and interest from the date of the loan's initial grant must occur in a single instalment maturing on the date of the loan's expiration.

Taking into consideration that, at this date, there is no estimate of the amount of the potential losses to be incurred by the Resolution Fund regarding the resolution measure of BES and BANIF, this situation has been disclosed in the financial statements of the Bank as a contingent liability, with no impacts recorded on the financials or capital ratios of the Bank. There can be no assurance that such accounting treatment be maintained in the future, and as such there is no guarantee that the Bank's business, financial condition, results of operations, prospects and capital ratios will not be affected by the factors described above.

Decree-Law No. 31 A/2012, of 10 February 2012, which amended the Legal Framework of Credit Institutions and Financial Companies, also introduced, on terms subsequently amended by Law No 23 A/2015, of 26 March 2015, the creation of the privileges accorded to claims associated with loans backed up by deposits under the DGF, as well as credit secured by the DGF, by SICAM or by the Resolution Fund, arising from the potential financial support that these institutions might give in the context of the implementation of resolution measures, within the limits of the applicable laws.

Although these measures contribute to the flexibility of regulators to intervene and help reduce systemic risk in the restructuring and resolution process, subject to legal and adequacy criteria, the effective implementation of the regulations may result in an increase in costs and/or in losses that could adversely impact the Bank's business, financial condition, results of operations and prospects.

### ***European Deposit Insurance Scheme***

The EDIS is currently still dependent on political decisions. There is no consensus on whether it should be a system based on the reinsurance between the several national deposit guarantee funds or a mutualisation mechanism at the European level. The decision and implementation processes of the guarantee scheme may have material adverse effects on the Bank's business activity, liquidity, financial condition, results of operations and prospects.

As of the date of this Base Prospectus, the harmonisation of the deposit guarantee system, through Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014, concerning the deposit guarantee systems, resulted in some significant changes to the systems currently in force in each of the Member States, including Portugal.

## RISK FACTORS

The changes contemplate the introduction of size and risk based contributions by entity and harmonisation of products and depositors covered, maintaining, however, the principle of a harmonised limit per depositor and not per deposit.

According to the BRRD, and consequently the Legal Framework of Credit Institutions and Financial Companies, with the amendments of Law No.23-A/2015, of 26 March 2015, banks must ensure that by 3 July 2024, the financial resources available to a deposit guarantee scheme ("**DGS**") amount to a target-level of 0.8% of the amount of DGF-covered deposits.

If, after this target level is reached for the first time, the available financial resources are reduced to less than two thirds of the target level, the ex ante contributions are set by Banco de Portugal at a level that allows the target level to be reached within six years. If the available financial resources are not sufficient to reimburse the depositors, in the event of unavailability of deposits, DGS members must pay ex-post contributions not exceeding 0.5% of the DGF-covered deposits for the exercise period of the DGF. In exceptional circumstances, the DGS can request a higher amount of contribution with the approval of Banco de Portugal.

The exemption from the immediate payment of ex ante contributions shall not exceed 30% of the total amount of contributions raised. This possibility depends on the credit institutions undertaking irrevocable payment commitments, to pay part of or the whole amount of the contribution which has not been paid in cash to the DGF, that are fully backed by collateral composed of low-risk assets unencumbered by any third-party rights and partly or wholly pledged in favour of the DGF at DGF's request.

The additional indirect costs of the deposit guarantee systems may be significant and can consist of costs associated with the provision of detailed information to clients about products, costs of compliance with specific regulations on advertising for deposits or other products similar to deposits. They can therefore affect the activity of the relevant banks and consequently their business activities, financial condition, results of operations and prospects.

As a result of these developments, the Bank may incur additional costs and liabilities which may adversely affect the Bank's business, operating results, financial condition and prospects.

**The Bank may be unable to issue certain capital requirement instruments and therefore be either unable to meet its capital requirements or required to meet its capital requirements through costly or less effective instruments.**

The Bank can issue Additional Tier I or Tier II instruments to meet its minimum total capital ratio requirement. However, these instruments might be viewed by investors as riskier than other debt instruments, primarily due to the risk of capital losses, missed coupon payments, insufficient Maximum Distributable Amount buffer and lack of Available Distributable Items. As a result, investor appetite for these instruments may decline in the future, which could render the Bank unable to place them in the market. In this case, the Bank would have to issue CET 1 capital to meet its total capital requirements. Issuing Additional Tier I or Tier II instruments would entail an associated coupon expense which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The resolutions adopted by the EC regarding financial services and products in the context of disclosure compliance may restrict the results of the Bank.***

The conclusions of the SREP (see "*Description of the Business of the Group - The Portuguese Banking System*") are adopted under the form of prudential requirements (Pillar 2 capital requirements ("**P2R**") and recommendations (Pillar 2 capital guidance ("**P2G**")), both to be made up entirely of Common Equity Tier 1 (see "*Description of the Business of the Group - The Portuguese Banking System*").

Banks should meet the P2G above the minimum level of capital requirements, both binding and of capital reserves.

If a bank does not meet the P2G, it will not result in an automatic action by the supervisor and will not be used to determine the Maximum Distributable Amount ("**MDA**") trigger, but it may be subject to additional measures adjusted to the individual situation of the bank.



## RISK FACTORS

The final measures to be adopted will be assessed, on a case-by-case basis, by the Supervisory Board.

Several EC initiatives regarding financial services and products are still in a transposition/implementation phase, including:

- Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, and Regulation 600/2014 of the European Parliament and of the Council, of 15 May 2014, relating to markets in financial instruments, known as the Markets in Financial Instruments Directive II ("**MiFID II**")/Markets in Financial Instruments Regulation ("**MiFIR**") (together, "**MiFID II/MiFIR**");
- Regulation 1286/2014 of the European Parliament and of the Council, of 26 November 2014, relating to retail and insurance based investment products ("**PRIIPs**"); and
- the European Market Infrastructure Regulation, Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 ("**EMIR**").

*MiFID II/MiFIR:* This is one of the current EU regulatory initiatives, initiated as a response to the financial crisis. It will enter into force on 3 January 2018 and aims to create more efficient, transparent and safe markets, improving investors' protection. It intends to effect changes affecting transparency requirements for a broad category of assets, derivative contracts and requirements relating to high frequency trading and algorithmic trading and other regulatory tools associated with commodity derivatives. It also seeks to limit the use of commissions, the rules for independent investment advice, the requirements for the production and distribution of new products and the intervention skills associated with the level of products and disclosure of burden and costs.

*PRIIPs Regulation:* This regulation relates to consumer protection and aims to establish a common standard for key information documents. On 14 September 2016, the European Parliament objected to an EC draft of the regulation concerning the RTS with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents. Consequently, the EC has to propose a new RTS for the implementation of the PRIIPs legislation. On 9 November 2016, the EC proposed the postponement of the date of entry into force of this regulation, having foreseen that the revision of the regulatory framework would be made in the first semester of 2017 and apply from 1 January 2018.

*EMIR:* This regulation establishes certain obligations in respect of clearing, reporting and risk mitigation of over the counter ("**OTC**") derivative contracts. While reporting and certain risk mitigation obligations have already been fully implemented, other obligations are under implementation (mandatory clearing) or yet to be implemented (exchange of collateral). As a Category 2 Entity, the deadline for BCP with respect to mandatory clearing was 21 December 2016, with a phase-in period. Compliance with these obligations entails increased operational and financial costs for the Bank. Moreover, the Bank depends on third party providers to comply with these obligations, including registered trade repositories for the reporting obligation, central counterparties ("**CCP**") and clearing agents for the clearing obligation. These third-party providers charge service or activity fees and, in the case of CCPs and clearing brokers, impose certain risk mitigation actions, including collateral posting, which increase the cost and may limit the ability of the Bank to enter into OTC derivatives.

*The legislative initiatives relating to "basic bank accounts" and "credit contract conditions" may restrict the delivery of services and negatively affect the Bank's results.*

Some legislative initiatives in Portugal are currently being examined, including those concerning:

- the inability of banks to unilaterally change rates and other contractual terms;
- standardised current accounts ("**basic bank accounts**"), with no commissions, costs or other charges associated with services made in the context of such an accounts;
- free of charge "basic bank accounts"; and

## RISK FACTORS

- the potential for the Euribor decrease to be reflected in mortgage and consumption loans.

The implementation of these legal initiatives could affect the regular functioning of the market and significantly impact the Bank's business, financial condition, net income and prospects.

*The Bank is subject to increased obligations and costs resulting from the new legal framework related to the prevention and monitoring of the default risk of customers.*

At the end of 2012, a set of legal and regulatory rules were approved contemplating actions that credit institutions should follow for the prevention and monitoring of default situations in credit contracts entered into with private bank customers, including:

- Decree Law No. 227/2012, of 25 October 2012, encouraging credit institutions to adopt an Action Plan for Default Risk ("**PARI**"), setting forth procedures and measures to prevent defaulting loans and creating the Extra Judicial Procedure for the Correction of Default Situations ("**PERSI**"), which aims to promote negotiations outside the courts between credit institutions and bank customers in cases of loan defaults. As at 30 September 2016, 105,175 operations in connection with PARI had been restructured, corresponding to EUR 2,371 million, 32,724 of which comprised mortgage credit operations (EUR 2,016 million) and 72,451 comprised personal credit operations (EUR 292 million). From January 2013 to September 2016, 15,540 operations in connection with PERSI were restructured, corresponding to EUR 463.7 million;
- Law No. 58/2012, of 9 November 2012, (subsequently amended by Law No. 58/2014, of 25 August 2014), which provides for an extraordinary regime for the protection of certain mortgage loan debtors in the event of certain economic situations. Even though this law expired on 31 December 2015, the enactment of a law to replace the existing law is currently being discussed in the Parliament.

Furthermore, in December 2013 Banco de Portugal issued its Instruction No. 32/2013, which set out the new method to identify and select credit restructuring events that are facing financial difficulties and should be qualified as a "restructured credit due to client financial difficulty". These operations should be registered in the institution's information systems and must include the required fields of information, such as dates and previous operations that led to the present operation, in order to identify if they could be classified as "restructured credit due to client financial difficulty". This would facilitate the management of credit risk in determining impairment of the loan portfolio and compliance with other prudential requirements.

This legal framework creates an assortment of obligations for credit institutions and sets forth protection measures for bank customers, including, among other things, the following:

- procedures for gathering information, contacting customers, monitoring the execution of loan agreements and managing default risk situations;
- the duty to assess the financial capacity of bank customers and present default correction proposals adapted to the debtor's situation; and
- drawing up a plan for restructuring debts emerging from home loans or replacing mortgage foreclosures, which may include the suspension of the mortgage foreclosure during the period of application of the protection measures, grace periods for the monthly payments of the borrower, extension of loan terms or reduction of spreads for the duration of the grace period.

If PERSI rules and principles apply to a customer, the Bank cannot (i) terminate the relevant agreements; (ii) initiate judicial proceedings against the debtor; (iii) assign its credits over the client; or (iv) transfer its contractual position to a third party.

The implementation of these legislative measures, as well as any potential additional regulatory or self-regulation measures, may lead to an increase of the Bank's credit impairment, which in turn could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Furthermore, these initiatives represent

## RISK FACTORS

significant changes in terms of execution of loan agreements within an adverse economic environment. The associated costs with the implementation of these measures coupled with implicit limitations in terms of fees, financial margin and flexibility in terminating contracts, as well as the uncertainty regarding the behavioural effects that may result in response to these changes, may have a negative impact on the Bank's business, financial condition, results of operations and prospects.

***Adoption of ECB guidelines and recommendations and supervisory practice based thereon may lead to an acceleration in NPE reductions, which may adversely impact the activity, financial condition, results of operations and prospects of the Bank.***

In the past few years, the Bank's approach to deal with its high NPL ratio has included:

- the strengthening of the monitoring of credit quality;
- the implementation and development of new assessment models;
- new internal regulations and recovery models; and
- improvement of the risk management governance model.

In addition, and in compliance with the ECB's banking supervision priorities that highlighted credit risk and heightened levels of NPL as key risks faced by Eurozone banks, the Bank has been implementing a NPE reduction plan. The Bank has the goal to decrease NPE in Portugal from EUR 9.3 billion as at 30 September 2016 (excluding securities) to less than EUR 7.5 billion by December 2017. The NPE strategy and reduction plan are globally aligned with the ECB's draft guidance to banks on NPLs, which addresses the main aspects of the strategy, governance and operations relating to an efficient disposal of NPLs.

The aforementioned plan implemented by the Bank builds on the following main lines of action:

- NPE sale strategy, with a low expected impact on own funds (EL/Impairment GAP) and capital;
- reduction strategy for the top 200 exposures and regular monitoring of the implemented strategy;
- review the *deed in lieu* policy, focus on out-of-court solutions to accelerate the resolution of mortgage loans; and
- approaches for preventing loans evolving into NPE and consistency of application of criteria.

Currently BCP is preparing a detailed plan to present to the ECB by January 2017 in respect of the Bank's strategy and goals to reduce the stock of NPE. From the follow-up discussions regarding this matter may arise further requirements imposed by the ECB to accelerate the NPE reduction. This could adversely and significantly impact the Bank's business, results of operations, financial condition, including capital position, and prospects.

***Changes to tax legislation, regulations, higher taxes or lower tax benefits could have an adverse effect on the Bank's activity.***

The Bank might be adversely affected by changes in the tax legislation and other regulations applicable in Portugal, the EU and other countries in which it operates, as well as by changes in the interpretation of legislation and regulation by the competent tax authorities. In addition, the Bank might be adversely affected by difficulties in the interpretation of or compliance with new tax laws and regulations. The materialisation of these risks may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The various measures approved by the Portuguese Republic to ensure budgetary consolidation, stimulate the economy and support the banking system have led to a considerable increase of public debt levels. In the context of low growth, the need to restore the balance of public finances in the medium term, as negotiated in the PAEF, will lead to increased

## RISK FACTORS

tax costs through the expansion of the tax base, the increase in tax rates and/or reduction of tax benefits, as well as the increase in restrictions on tax planning practices, which may directly affect the Bank's net income. Moreover, changes in legislation may require the Bank to bear costs associated with participation in financial stabilisation mechanisms at a national or European level.

For example, under Law No. 55-A/2010 of 31 December 2010 and Ministerial Order (*Portaria*) No. 121/2011 of 30 March 2011, as amended, a bank levy is applicable to the Bank (EUR 24.9 million in 2015) and will be applied over (a) the Bank's liabilities at a tax rate of 0.11% and (b) the notional amount of off-balance sheet financial derivatives, excluding hedging derivatives and back-to-back derivatives, at a tax rate of 0.0003%. The taxable base is calculated by reference to an annual average of the monthly balances of the qualifying items, as reflected in the relevant year's approved accounts.

The Bank also has ongoing ordinary course disputes with the tax authorities and, although it considers the provisions it has made regarding these disputes to be adequate to cover the risk of judgements against the Bank it is unable to ensure their sufficiency or the outcome of such disputes.

### ***Implementation of legislation relating to taxation of the financial sector could have a material adverse effect on the Bank's results of operations.***

Although this measure is not foreseen in the Portuguese State Budget Laws for 2016 and 2017, the Portuguese State Budget Law for 2013, 2014 and 2015 (Law No. 66-B/2012, of 31 December 2012, Law No. 83-C/2013, of 31 December 2013 and Law No. 82-B/2014, of 31 December 2014) included legislative authorisations that allowed the Portuguese government to introduce a financial transaction tax under the scope of the Portuguese stamp duty. However, currently, a financial transaction tax has yet to be implemented in Portugal. The legislative authorisation for 2015 provided a broad range of transactions that would fall under the scope of the proposed financial transaction tax, including all the transactions involving the sale and purchase of financial instruments, namely (i) share capital participations; (ii) bonds; (iii) money market instruments; (iv) participation units on investment funds; and (v) derivative and structured financial products. According to the legislative authorisation, the expected rates are as follows: up to 0.3% on general transactions; up to 0.1% on highly frequent transactions; and up to 0.3% on transactions involving derivatives.

On 14 February 2013 the EC published its proposal for a Council Directive for enhanced co-operation in the form of a financial transaction tax ("**FTT**"), of which Portugal would be a member and which was intended to take effect on 1 January 2014, but negotiations are still ongoing.

There can be no assurance that an FTT or similar additional bank taxes and national financial transaction taxes will not be adopted, at any moment, by the authorities of the jurisdictions where the Bank operates.

Any such additional levies and taxes could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank was charged and convicted by the CMVM and Banco de Portugal in administrative proceedings in connection with certain transactions, including the financing of the acquisition of shares issued by the Bank by companies incorporated in certain offshore jurisdictions.***

Between 2008 and 2015, the Bank was charged and convicted by the CMVM and Banco de Portugal. Similar charges and convictions in the future could hurt the Bank's reputation, among other things, and materially adversely affect the Bank's business, financial condition, results of operations and prospects.

#### *Summary of the investigations and pending proceedings*

The Bank was charged and convicted by CMVM under administrative proceeding No. 41/2008, a decision which was subject to an appeal to Tribunal de Pequena Instância Criminal de Lisboa (the "**Small Instance Criminal Court of Lisbon**"). In July 2010, the Small Instance Criminal Court of Lisbon convicted the Bank, requiring it to pay a fine of

## RISK FACTORS

EUR 5 million, half of which was suspended and half of which was paid by the Bank. This ruling became final after the respective appeals were decided.

On 12 December 2008, the Bank was notified by Banco de Portugal of an accusation under administrative proceeding No. 24/07/CO, with respect to alleged breaches of accounting rules and alleged provisions of false or incomplete information to Banco de Portugal. The Board of Directors of Banco de Portugal convicted the Bank to pay a single fine in the amount of EUR 5 million, a decision that the Bank appealed.

Following several intermediate decisions and appeals, the Tribunal da Relação de Lisboa (the "Lisbon's Court of Appeal"), of 9 June 2015, granted partial approval to BCP's appeal. BCP was consequently exonerated from all alleged breaches concerning the provision of false information to Banco de Portugal and from two alleged breaches of accounting rules, and the fine to which BCP had been convicted was reduced to EUR 750,000. This decision became final.

At this date, and given also the time elapsed and the final decision of the proceedings initiated by Banco de Portugal and CMVM mentioned above, the Bank considers unlikely any risk that new lawsuits or investigations will be initiated in the future or of being subject to restrictive measures of civil, administrative or other nature, including fines or being subject to investigations or other proceedings by other regulators, or being subject to litigation in Portugal or elsewhere by shareholders or others, that, if adversely determined, could result in significant losses to the Bank and a decline in its corporate and debt ratings. Although unlikely, any such regulatory proceedings and any related litigation could result in adverse publicity or negative perceptions regarding the Bank's business, which could result in a loss of customers and, an increase in the Bank's cost of capital, and could divert management's attention from the day-to-day management of the Bank's business and, if adversely determined, could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The new solvency framework for insurance companies is uncertain and may negatively impact the Bank's operations.***

The EU developed a new solvency framework for insurance companies, referred to as "Solvency II". The new approach is based on the concept of three pillars: minimum capital requirements, supervisory review of firms' assessment of risk and enhanced disclosure requirements, and encompasses valuations, the treatment of insurance groups, the definition of capital and the need for capital at a global level. The EC is continuing to develop the detailed rules that will complement the high-level principles of Directive 2009/138/EC, of 25 November 2009, as amended, having already issued some regulations in this respect, including Delegated Regulation (EU) 2015/35 and regulations referred to as "implementing measures" (Commission Implementing Regulation (EU) 2015/498, of 24 March 2015, Commission Implementing Regulation (EU) 2015/499, of 24 March 2015, Commission Implementing Regulation (EU) 2015/500, of 24 March 2015, Commission Implementing Regulation (EU) 2015/462, of 19 March 2015, Commission Implementing Regulation (EU) 2015/460, of 19 March 2015, and Commission Implementing Regulation (EU) 2015/461, of 19 March 2015).

In parallel, Directive 2009/138/EC, of 25 November 2009, that was last amended by Directive 2014/51/UE, of 16 April 2014, was transposed into Portuguese law through Law No. 147/2015, of 9 September 2015 ("*Regime jurídico de acesso e exercício da atividade seguradora e resseguradora*"), introducing a significant change in the legal framework of the insurance business.

Solvency II implementation poses challenges for insurers that may require them to gradually adapt to the new requirements, provide for data quality and analytics needs, revise their governance systems and develop adequate tools for recurrent reporting and disclosure of information. Further regulatory developments are expected in the forthcoming years, such as review of capital requirements, long term guarantees and macroprudential tools.

There is a risk that the effect of the measures adopted and to be adopted could be adverse for Millenniumbcp Ageas, impacting its business operations, strategy and profitability, including potentially increasing the capital required to support its business and creating a competitive disadvantage with respect to other European and non-European financial services groups. Such impact may affect the dividends policy and/or result in an increase of capital that could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

## RISK FACTORS

***The Bank is subject to changes in financial reporting standards, such as IFRS 9, or policies, including as a result of choices made by the Bank, which could materially and adversely affect the Bank's reported results of operations and financial condition and may have a corresponding material adverse impact on capital ratios.***

The Bank's financial statements are prepared in accordance with EU IFRS, which is periodically revised or expanded. Accordingly, from time to time the Bank is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board. It is possible that future accounting standards which the Bank is required to adopt, could change the current accounting treatment that applies to its financial statements and that such changes could have a material adverse effect on the Bank's results of operations and financial condition. For example, IFRS 9 on financial instruments, which will replace IAS 39, will likely have an effect on the Bank's financial statements. This contemplated accounting change is expected to become effective for annual periods beginning on or after 1 January 2018, and is still subject to endorsement by the EU. Given the endorsement advice of the European Financial Reporting Advisory Group on 15 September 2015, it is expected that IFRS 9 will be endorsed by the EU in due time before mandatory implementation. However, it is currently unknown whether there will be a phased-in period for its implementation. As a result of IFRS 9, the Bank will have to recognise credit losses on loans and other financial instruments based on expected losses rather than incurred losses. As credit losses are recognised at an earlier stage this will lead to a higher loan loss allowance, and corresponding lower capital on implementation of IFRS 9. In addition, IFRS 9 is expected to lead to more profit and loss volatility, because changes in counterparty credit quality could lead to shifts from a 12-month expected loss to a life time expected loss and vice versa. In addition, more financial instruments may be classified at fair value through profit or loss. An increase in credit loss could have an impact on lending activities and the potential for greater pro-cyclicality on lending and impairment exists owing to implementation of IFRS 9.

Further changes in financial reporting standards or policies, including as a result of choices made by the Group, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects and may have a corresponding material adverse effect on capital ratios.

If the Bank's regulators adopt or interpret more stringent standards or views on the applicable standards than the Bank anticipates, the Bank could experience unanticipated changes in its reported financial statements, including but not limited to restatements or the inclusion of reserves in review or audit reports, which could adversely affect the Bank's business due to litigation and loss of investor confidence in its financial statements.

***The Bank's financial statements in conformity with EU IFRS require the exercise of judgements and use of assumptions and estimates which, if incorrect, could have a material impact on the Bank's business, results of operations, financial condition, prospects and capital ratios.***

The preparation of financial statements in conformity with EU IFRS requires management to exercise judgement and use estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses. Due primarily to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. For example, due primarily to the inherently uncertain outcome of settlements of claims and litigation, it is difficult to provide for sufficient legal and regulatory provisions, and if the provisions made turn out not to be sufficient, the Bank will have to report additional losses.

Judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and known at the date of preparation and issuance of the respective financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Bank's results and financial condition, based upon materiality and significant judgements and estimates, include the following areas: impairment of the financial assets available for sale, losses due to impairments in credit to clients, fair value of derivative financial instruments, investments held to maturity, entities included in the consolidation perimeter, taxes on profit, pensions and other benefits to employees, goodwill impairments and impairments in non-current assets held for sale (properties). If the exercise of judgement and the use of estimates and assumptions by the Group in preparing its consolidated financial statements in conformity with EU IFRS are subsequently found to be incorrect, this could have a material impact on the Bank's business, results of operations and financial condition, including capital ratios.

## RISK FACTORS

### *The use of standardised contracts and forms carries certain risks.*

The Bank maintains contractual relationships with a large number of clients. The management of such a large number of legal relationships involves the use of general terms and conditions and standard templates for contracts and forms. This could pose a significant risk to the large number of contracts containing subjects that need clarification and drafting errors or requiring individual terms and conditions. In light of recent amendments to the applicable legal frameworks as a result of new laws or judicial decisions, it is possible that not all standard contracts and forms used by the Bank comply with every applicable legal requirement at all times.

If there are drafting errors or interpretive issues, or if the individual contractual terms or the contracts are invalid in their entirety or in part, many client relationships may be negatively affected. Any resulting claims for compensation or other legal consequences may have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

### **Risks Relating to the Recapitalisation Plan and the Restructuring Plan of the Bank**

#### *The Restructuring Plan of the Bank approved by the EC has an associated execution risk.*

The EC approved the Bank's Restructuring Plan on 30 August 2013. The non confidential version of the Restructuring Plan is available on the EC's website: ([http://ec.europa.eu/competition/state\\_aid/cases/247497/247497\\_160000\\_0\\_491\\_2.pdf](http://ec.europa.eu/competition/state_aid/cases/247497/247497_160000_0_491_2.pdf)). The decision concluded that the Restructuring Plan was in compliance with the EU rules on State aid by demonstrating the Bank's viability without continued State support. The plan operates on the following elements:

- increasing funding to the economy through full compliance with the regulatory requirements of capital levels;
- separating core and non-core assets (non-core assets include loans to purchase securities, highly leveraged loans, subsidised mortgage housing loans and credit to certain segments associated with construction, football clubs and real estate) to strategically refocus activity, aimed at gradually reducing non-core assets;
- deleveraging the balance sheet;
- improving operational efficiency, the commitment of achieving a minimum ROE<sup>3</sup> of 10% and a maximum cost-to-income of 50% from 2016 having been assumed (as at 30 September 2016, ROE was -7.7%, cost-to-income<sup>4</sup> was 46% and the cost-to-core income<sup>5</sup> was 52% on a consolidated basis);
- implementing a new approach in the management of investment funds by adopting a model of distribution of open architecture business, allowing for a wider range of client investment options; and
- continuing the process of adjusting the structure of the Bank in the domestic market, in particular by adapting the number of branches and other areas of business support, and highlighting the continuity of human resources policies that calibrate the staff numbers to the demand for banking services.

In addition to the commitments already fulfilled by the Bank in respect of the improvement of operational efficiency, the sale of Millennium Gestão de Activos ("MGA") and the Bank's Romanian subsidiary, the loan portfolio operations in Switzerland and the Cayman Islands and the Piraeus Bank SA holding, the Restructuring Plan contains a set of general restrictions that may temporarily restrict the operational and strategic flexibility of the Bank, including: the prohibition of acquisitions of equity instruments; prohibition of aggressive commercial practices; remuneration of corporate bodies and employees on the basis of long-term goals of the organisation; restrictions on business with related parties; prohibition on the payment of dividends and coupons, primarily related to preferential shares and subordinated and perpetual bonds (unless legally required) and on the repurchases of hybrid instruments and subordinated debt and prohibition of financing the purchase of shares or hybrid capital instruments issued by the Bank.

---

<sup>3</sup> **Return on equity (ROE)** – Net income (including the minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

<sup>4</sup> **Cost-to-income** – operating costs divided by net operating revenues.

<sup>5</sup> **Cost to core income** - operating costs divided by the net interest income and net fees and commission income.

## RISK FACTORS

As mentioned above, ROE was negative 7.7% as at 30 September 2016 which was below the aforementioned commitment of 10%. Consequently, there is a high probability that this target was not achieved as at 31 December 2016. Although the Bank expects that, given that the full repayment of the Government Subscribed Core Tier 1 Capital Instruments ("**GSIs**") has been made, a potential non-conformity with the Restructuring Plan will not lead to particularly damaging consequences for the Bank, a failure to properly implement the Restructuring Plan could result in the filing, by the EC, of additional proceedings to analyse the potential improper use of public funds received by the Bank, which could result in the imposition of additional measures to those currently foreseen in the Restructuring Plan.

The Restructuring Plan also provided for the commitment for the conditional sale of the investment operation in Poland, if the outstanding amount of GSIs by the end of 2016 exceeded EUR 700 million, which did not occur following the repayment of EUR 50 million of GSIs on 30 December 2016.

Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The abovementioned limitations on the payment of dividends by the Bank and prohibitions related to coupon payments and interest on hybrid instruments and subordinated debt where there is no legal obligation to make such payment automatically terminated with the full repayment of the GSIs on 9 February 2017; however, other implied obligations arising out of the Restructuring Plan shall continue to be in force until 31 December 2017, unless waived by the EC. See "*Conditions imposed on the Bank as a result of the Recapitalisation Plan and the Restructuring Plan may constrain the Bank's operations or otherwise be adverse to the interest of the Bank's shareholders.*"

***The Bank is exposed to contingent risks for the implementation of its strategy, and may not, totally or partially, achieve the objectives in its Strategic Plan 2012-2017 and Strategic Agenda 2016-2018.***

The Bank is exposed to strategic risk, with the possibility of inadequate strategic decisions, failures in the implementation of decisions or lack of response capability in light of changes to market conditions, and may not, totally or partially, achieve the objectives in its Strategic Plan 2012-2017 (the "**Strategic Plan**"), which was reviewed in 2015, including what is foreseen in the Recapitalisation Plan and in the Restructuring Plan. The Strategic Plan was reviewed in 2015 and, even though completion of the Rights Offering might change the overall strategy laid out in the Strategic Plan, overall targets will remain the same. Since 2011, the eight major Portuguese banks (including BCP) have been subject to monitoring by the Troika and have assumed several goals regarding their capital and liquidity. With respect to BCP specifically, these goals, set out in a Funding and Capital Plan, which has been updated on a regular basis, are consistent with the provisions of the Recapitalisation Plan and the Restructuring Plan. There is no guarantee that the Bank will be able to fully implement its strategic agenda due primarily to general constraints, such as (i) the further deterioration of market conditions; (ii) increased competition or the actions taken by its main competitors; (iii) measures to resume growth and leadership in the retail banking segment and attract greater value in the Companies, Corporate and Investment Banking (including Large Corporate) segments; (iv) maintaining the drive to reduce costs and to optimise capital and liquidity management; and (v) the strengthening of risk management. Furthermore, the Bank could face difficulties in the implementation of critical management measures aimed at continued re-pricing, optimising the recovery of banking revenues and profitability, mitigating exposure to various types of risk and increasing its own funds, with a negative impact on expected efficiency levels and compromising the defined objectives and solvency. If the Bank is unable to achieve its strategic objectives, it could have a material adverse effect on its business, financial condition, results of operations and prospects.

***Conditions imposed on the Bank as a result of the Recapitalisation Plan and the Restructuring Plan may constrain the Bank's operations or otherwise be adverse to the interest of the Bank's shareholders.***

As a result of the Portuguese Republic's investment in the Bank pursuant to the Recapitalisation Plan and the Restructuring Plan, the Bank assumed certain undertakings in the specific context of the approval of its Recapitalisation Plan and Restructuring Plan, in addition to the limitations on distribution of dividends, which include, among other undertakings:

- a ban on buy-backs of hybrid instruments and subordinated debt without the consent of the Portuguese Minister of State and Finance (the "**Minister of State and Finance**"); in this respect, the Restructuring Plan



## RISK FACTORS

approved by the EC extends the prohibition to the buy-back of shares, hybrid instruments, subordinated debt and similar securities held by entities other than the Portuguese State or entities in the consolidation perimeter of BCP, with the exception of prior authorisation by the EC, if such repurchases do not trigger payments to third parties;

- a ban on coupon and interest payments on hybrid instruments and subordinated debt where there is no legal obligation to proceed with such payment;
- a ban on the acquisition of equity stakes in other companies, unless previously authorised by the EC, the Minister of State and Finance and Banco de Portugal;
- granting the Minister of State and Finance the right to appoint two non-executive members to the Board of Directors of the Bank (the "**Appointed Members**"), one of whom will serve on the Audit Committee and the other on the Compensation and Welfare Board and Risk Commission. If required, after having consulted the senior executive officer of the Bank in that respect, acting in a commercially reasonable manner and in accordance with market standards, the Appointed Members will be able to require, at the Bank's expense, external independent review and reporting of aspects of the financial position, conduct and plans of the Bank. On 29 November 2012, the Bank announced to the market the appointment of two representatives of the Portuguese Republic to the corporate bodies of Millennium bcp (Bernardo Sottomayor, as first non-executive director who has subsequently resigned and has been replaced by André Palma Mira David Nunes and José Rodrigues Jesus, as second non-executive director (who is also a member of the Audit Committee)) in connection with the Bank's recapitalisation process and in accordance with what was provided in Article 14, No. 2 of Law 63-A/2008, as amended and Decision (*Despacho*) 8840-B/2012 of the Minister of State and Finance of 28 June 2012, as amended, published in the Supplement of the Official Gazette, 2nd series of 3 July 2012, approving the public investment pursuant to the Recapitalisation Plan, the "**Decision**");
- remuneration and benefits of senior management and executives will be subject to appropriate levels of transparency and scrutiny to ensure they remain appropriate;
- granting the Minister of State and Finance the ability to limit the commitment by the Bank of further financial resources to any non-lending businesses, mergers or acquisitions by the Bank;
- the prohibition of financing by the Bank of mergers or acquisitions of businesses in the financial services sector, except upon written approval of the Minister of State and Finance;
- the operation and maintenance of an internal specialised unit (or units) to be accountable for the management of problem and workout assets, in line with international best practices;
- the implementation of the Recapitalisation Plan and carrying out the Bank's activities accordingly, in particular with respect to the contribution of the Bank to the financing of the Portuguese economy, including households and small- and medium-sized enterprises, and particularly within the sectors of tradable goods and services. The Bank has changed the focus of its credit policy, which is now mainly directed towards funding companies of the tradable goods and services sector;
- the reduction, already achieved by 31 December 2013 and which shall be maintained until 31 December 2017, in lending to shareholders holding more than 2% of the Bank's outstanding shares to less than 30% of the Bank's own funds after the deduction of publicly invested funds, except where expressly authorised in writing by Banco de Portugal. In September 2016, credit exposure to shareholders holding more than 2% of the Bank's outstanding shares was approximately 9.4% (deducted from the GSIs), which compares with 25.9% in December 2013. In this respect, the Restructuring Plan approved by the EC also includes guarantees granted and limits of exposure to these shareholders which are applicable during the restructuring period; and
- the commitment by the Bank of EUR 30 million per annum to a fund that will invest in equity of Portuguese small- and medium-sized enterprises and Portuguese companies with a medium level of capitalisation. Under this commitment, as at 30 September 2016, the Bank has already invested EUR 98 million in this fund.

## RISK FACTORS

Certain covenants and undertakings described above may require further interpretation and clarification, in particular, from the EC and the Ministry of Finance, considering the terms of the decisions approving the Recapitalisation Plan and the Restructuring Plan and the lapsing of certain covenants and undertakings. All of the aforementioned undertakings can have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Even though repayment in full of the outstanding GSIs was completed on 9 February 2017, with the exception of the bans on the payment of dividends and on coupon and interest payments on hybrid instruments and subordinated debt where there is no legal obligation to proceed with such payment, which automatically ceased with the full repayment of the GSIs, the remaining obligations imposed by the Restructuring Plan (including those that are simultaneously foreseen in the Decision and in the Restructuring Plan) are likely to remain in force until 31 December 2017, unless waived by the EC.

***The Recapitalisation Plan and the Restructuring Plan may not be sufficient to meet the Bank's future regulatory capital requirements, which could necessitate further engagement in liability management transactions, sales of assets or additional public investment.***

Deterioration of the economic and financial situation in European and global markets, a persistent low or even negative interest rate environment, further reductions in the credit ratings of the Bank or changes to the regulatory framework of capital requirements may affect the Bank's ability to comply with minimum regulatory capital requirements, as described in "Risks Relating to the Portuguese Economy" and "Risks Relating to the Bank's Business". If any of these were to materialise, the Bank may have to raise additional capital or issue other financial investments in order to comply with the minimum capital requirements. Such issuances may be made with respect to the shareholders' pre-emption rights or, to the extent authorised by the general meeting of shareholders (the "**General Meeting of Shareholders**"), without regard to shareholders' pre-emption rights.

The General Meeting of Shareholders held on 21 April 2016 resolved to suppress the preference rights of shareholders in the subscription of one or more share capital increases that the Board of Directors may decide to carry out for a maximum term of 3 years and up to a maximum aggregate amount corresponding to 20% of the total amount of the share capital existing on the date such resolution was approved, with a maximum global number of shares to be issued corresponding to 20% of the shares existing on the date such resolution was approved, provided such resolution of the Board of Directors is approved by a majority of 85% of the directors in active duty, having received the prior favourable opinion of the Audit Committee and the share price should not be lower than 90% of the weighted average of the Bank's shares' closing price on Euronext Lisbon in the 20 sessions prior to the date of the decision to undertake the share capital increase.

On 18 November 2016, Chiado (Luxembourg) S.à.r.l. ("**Chiado**") (an affiliate of Fosun Industrial Holdings Limited ("**Fosun**")) subscribed to a private placement reserved solely to Chiado, pursuant to the authorisation granted by BCP's shareholders in the general assembly held on 21 April 2016 and to the capital increase resolution of the Board of Directors dated 18 November 2016, through which Chiado came to hold a shareholding of approximately 16.67% of the total share capital of BCP. On such date, Chiado agreed to subscribe for 157,437,395 ordinary shares of the Bank at a subscription price of EUR 1.1089 per share.

The Bank may also decide to engage in other liability management exercises, as long as they are previously approved by the EC, under which the Bank could propose to holders of other classes of securities issued by the Bank or its subsidiaries an exchange or any other form of conversion of other securities into the Bank's ordinary shares.

Additionally, the Bank may be required to sell assets in sub-optimal conditions or even to request additional funds from public entities in exchange for the issuance of ordinary shares, which may result in an exercise of significant State control over Bank operations.

Any issuance of additional shares by the Bank or the perception by the market that such issuance may occur could adversely affect the market price of the ordinary shares or other securities of the Bank, and have a material adverse effect on its business, financial condition, results of operations and prospects.

## **RISK FACTORS**

### **Risks Relating to the Bank's Business**

#### ***The Bank is exposed to the credit risk of its customers.***

The Bank is exposed to its customers' credit risk. Gross exposure to risk of credit (position in original risk) on 30 September 2016 was EUR 90.3 billion (EUR 91.5 billion on 31 December 2015 and EUR 91.8 billion on 31 December 2014).

As at 30 September 2016, the breakdown of this exposure was the following: EUR 11.3 billion for central governments or central banks, EUR 0.8 billion for regional administrations or local authorities, EUR 0.8 billion for administrative entities and non-profit organisations, EUR 0.07 billion for multilateral development banks, EUR 3.6 billion for other credit institutions, EUR 60.1 billion for retail and companies customers and EUR 13.7 billion for other elements.

As at 31 December 2015, the breakdown of this exposure was the following: EUR 9.5 billion for central governments or central banks, EUR 0.7 billion for regional administrations or local authorities, EUR 0.8 billion for administrative entities and non-profit organisations, EUR 0.05 billion for multilateral development banks, EUR 3.2 billion for other credit institutions, EUR 63.8 billion for retail and companies customers and EUR 13.5 billion for other elements.

According to the ECB, Portugal's NPE coverage by loan loss reserves ("**LLR**") and collaterals was 104% in 2015. NPEs as at 30 September 2016 were EUR 9.3 billion.

A general deterioration of the Portuguese economy (and of the global economy) and the systemic risk of financial systems due to structural imbalances could affect the recovery and value of the Bank's assets and require increased credit impairments, which would adversely affect the Bank's financial condition and results of operations. This could further increase the Bank's NPL and NPE ratios and impair the Bank's loan portfolio and other financial assets.

In addition, the ongoing process of revising IAS 39, particularly within the context of the amendment of the new impairment model imposed by IFRS 9, due to enter into force on 1 January 2018, could determine the need for recognition of different levels of impairments, which could adversely affect the business, results of operations, financial condition and prospects of the Group.

#### ***The Bank is exposed to concentration risk, including concentration risk in its credit exposure.***

The Bank is exposed to the credit risk of its customers, including risks arising from the high concentration of individual exposures in its loan portfolio. The 20 largest loan exposures of the Bank as at 30 September 2016 represented 11% of the total loan portfolio (gross) (9.1% as at 31 December 2015 and 10.7% as at 31 December 2014). The qualified shareholders' loan exposures as at 30 September 2016 represented 0.2% of the total loan portfolio (gross) (0.3% as at 31 December 2015 and 0.4% as at 31 December 2014).

The Bank also has high sectoral concentration in its loan book. As at 30 September 2016, the Bank's credit exposure to the real estate and civil construction sectors was 3% (real estate activities) and 5.8% (construction companies) of the total loan portfolio (gross). On that date, 46.1% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 6% and the exposure to service sector companies was 18%.

As at 31 December 2015 the Bank's credit exposure to the real estate and civil construction sectors was 3.3% (real estate activities) and 6.4% (construction companies) of the total loan portfolio (gross), respectively. On that date, 46% of the loan portfolio consisted of mortgage loans, the exposure to retail and wholesale commerce was 6.1% and the exposure to service sector companies was 18.1%.

This concentration is common for most of the main Portuguese banks given the small size of the Portuguese market, and has been noted by the rating agencies as a fundamental challenge facing the Portuguese banking system. Rating agencies have been particularly critical of the Bank's exposure to larger customers and, especially, exposure to its shareholders. Although the Bank carries out its business based on strict risk control policies, in particular with respect to credit risk, and seeks to increase the diversification of its loan portfolio, it is not possible to guarantee that the

## **RISK FACTORS**

exposure to these groups will not be increased or that exposure will fall in the future. If exposure increases in the future, it could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank is exposed to counterparty risk, including credit risk of its counterparties.***

The Bank routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients.

Sovereign credit pressures may weigh on Portuguese financial institutions, limiting their funding options and weakening their capital adequacy by reducing the market value of their sovereign and other fixed income holdings. These liquidity concerns have adversely impacted, and may continue to adversely impact, interim institutional financial transactions in general. Concerns about, or a default by, one financial institution could lead to significant liquidity problems and losses or defaults by other financial institutions, as the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing and other relationships. Many of the routine transactions the Bank enters into expose it to significant credit risk in the event of default by one of its significant counterparties. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-side liquidity pressures or losses or ultimately to an inability of the Bank to repay its debt. In addition, the Bank's credit risk may be exacerbated when the collateral it holds cannot be enforced upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure. A default by a significant financial and credit counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Exposure to credit risk may also derive from the collaterals of loans, interbank operations, clearing and settlement and trading activities as well as other activities and relationships. These relationships include those with retail customers, brokers and dealers, other commercial banks, investment banks and corporate borrowers. Most of these relationships expose the Bank to credit risk in the event of default by the counterparty or customer.

Adverse changes in the credit quality of customers and counterparties of the Bank, a generalised deterioration of the Portuguese or global economies or the systemic risk of financial systems due primarily to structural imbalance could affect the recovery and value of the Bank's assets and require increased impairments, which would adversely affect the Bank's business, financial condition, results of operations and prospects.

### ***The Bank sells capitalisation insurance products with guaranteed principal and unit linked products, exposing the Bank to reputational risk in its role as seller, and financial risk indirectly arising from the Group's shareholding in Millenniumbcp Ageas.***

Off-balance sheet customer funds, as at 30 September 2016 totalled EUR 12.8 billion, largely consisting of assets under management (EUR 4.1 billion) and financial insurance (EUR 8.7 billion), including unit linked products (EUR 4.5 billion) and capitalisation insurance/PPR (retirement savings plans) (EUR 4.2 billion), with only the latter being able to ensure capital or a minimum income.

All financial insurances are predominantly placed with retail investors, those being in their majority issued and accounted by Millenniumbcp Ageas (in which the Bank has a 49% shareholding) and registered by the equity method. Therefore, adverse changes in the underlying assets, a general deterioration of the global economy, or the systemic risk of financial systems due to structural imbalances may affect the recovery and value of such assets, entailing reputational risks for the Bank as a seller of these products as well as financial risks indirectly arising out of the shareholding held by the Group in Millenniumbcp Ageas. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank is exposed to a contraction of the real estate market.***

The Bank is highly exposed to the Portuguese real estate market by means of the credit granted to construction companies, real estate activities, and mortgage loans, which represented 5.8%, 3% and 46.1% of the consolidated loan portfolio, respectively, as at 30 September 2016 in assets related to its operations or obtained in lieu of payment, and indirectly through properties securing loans or through funding of real estate development projects (assets received in

## RISK FACTORS

lieu of payment in Portugal represented 2.3% of total assets of the Bank as at 30 September 2016), and through the exposure to closed ended real estate funds and to the pension fund and real estate properties in the Bank's balance sheet.

Assets held on the Bank's balance sheet received in lieu of payment (real estate assets only) increased from EUR 1,262 million as at 31 December 2014 (impairments of EUR 259 million) to EUR 1,446 million as at 31 December 2015 and EUR 1,685 million as at 30 September 2016 (impairments of EUR 234 million as at 31 December 2015 and of EUR 210 million as at 30 September 2016). The coverage of assets received in lieu of payment decreased from 20.5% as at 31 December 2014 to 16.2% as at 31 December 2015 and to 12.5% as at 30 September 2016. In the nine months ended 30 September 2016, the Bank received 3,978 new properties in its activity in Portugal (excluding funds and other real estate companies) and sold 1,568 properties, from its stock of properties, for EUR 145 million.

The exposure to closed-end investment funds, whose units were received following operations where properties were recovered in lieu of payment and that, in accordance with IFRS, were subject to the full consolidation method, represented EUR 411.3 million as at 30 September 2016 (EUR 326.5 million as at 31 December 2015 and EUR 325.1 million as at 31 December 2014). The item Investment Properties includes the amount of EUR 57.5 million as at 30 September 2016 (EUR 144.6 million as at 31 December 2015 and EUR 174.9 million as at 31 December 2014), concerning properties held by Fundo de Investimento Imobiliário Imosotto Acumulação, by Fundo de Investimento Imobiliário Gestão Imobiliário, by Fundo de Investimento Imobiliário Imorenda, by Fundo de Investimento Imobiliário Fechado Gestimo and by Imoport—Fundo de Investimento Imobiliário Fechado.

The Bank also performed a set of transactions involving the sale of financial assets for funds specialising in the recovery of loans, including Fundo Recuperação Turismo FCR, Fundo Reestruturação Empresarial FCR, FLIT, Vallis Construction Sector Fund, Fundo Recuperação FCR, Fundo Aquarius FCR, Discovery Real Estate Fund and Fundo Vega FCR.

The item Properties, which includes the real estate booked in the pension fund's financial statements and used by Group companies, in the pension fund amounted to EUR 282.1 million recorded as at 30 September 2016, EUR 301.6 million as at 31 December 2015 and EUR 301.5 million at the end of 2014.

Accordingly, the Bank is vulnerable to a contraction in the real estate market. A significant devaluation of prices in the Portuguese real estate market would lead to impairment losses in the assets directly held and to an increased exposure to counterparty risk for loans guaranteed by real estate collateral and in pension fund assets retained by the Bank, adversely affecting the Bank's business, financial condition and results of operations. Mortgage loans represented 45% of the total loan portfolio as at 31 December 2015, with a low delinquency level and an average loan-to-value ratio of 67%. Although Portugal did not face a housing bubble during the recent financial crisis as did other European countries, such as Ireland and Spain, and real estate prices in Portugal have been fairly stable over the last years, the economic and financial crisis still had an impact on the real estate market. Portuguese banks are granting a low amount of new mortgage loans with very low spreads, and real estate developers have encountered a difficult market for sales. Moreover, there was a reduction in public works activity that severely affected construction companies, which had to redirect their activities to foreign markets. Furthermore, difficult credit conditions associated with the contraction of tourism have affected certain real estate developers that had been involved with tourism related projects, in particular in the southern part of Portugal. All of the aforementioned effects have increased delinquency among construction companies and real estate developers, impacting the Bank's NPLs and contributing to the increase in impairment charges.

A significant devaluation of prices in the Portuguese real estate market may lead to an increase in impairment losses in the assets held directly and in the participating units of the restructuring funds, and increased exposure in counterparty risk for loans guaranteed by real estate collateral and in pension fund assets retained by the Bank. Any of the foregoing could have a materially adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank is exposed to the risk of interest rate repricing of credit granted to customers.***

Mortgage loans represented 46.1% of BCP's total loan portfolio (consolidated) as at 30 September 2016. The average spread of the mortgage loans portfolio in Portugal stood at 124 basis points; 39% of the contracts and 45% of the balance of mortgage loans had spreads under 1%. As at 30 September 2016, 79% of the contracts and 80% of the

## RISK FACTORS

balance of the mortgage loans portfolio in Portugal were indexed to Euribor 3 months and 18% of the contracts and 19% of the balance of the portfolio were indexed to Euribor 6 months. In 2015, the average spread of the mortgage loans portfolio in Portugal stood at 139 basis points; 40% of the contracts and 47% of the balance of mortgage loans had spreads under 1%. As at 31 December 2015, 82% of the Bank's contracts and 80% of the balance of the mortgage loans portfolio in Portugal were indexed to Euribor 3 months and 16% of the contracts and 19% of the balance of the portfolio were indexed to Euribor 6 months.

In response, the Bank, along with other banks in Portugal, limited the granting of new mortgage loans. In the nine months ended 30 September 2016, 6,222 new mortgage credit operations were contracted with an average spread of 204 basis points, compared to 6,609 new mortgage credit operations contracted with an average spread of 240 basis points in 2015.

The Bank cannot unilaterally change the contractual terms of the loans that make up its portfolio of mortgage loans and it has proven extremely difficult to negotiate the extension of the maturity of these contracts. The resulting limitation of this contractual rigidity has a significant impact on net interest income. In addition given the current low demand for credit by companies, the Bank may also experience difficulties in changing the mix of its loan portfolio which would make it difficult to offset the impact of reduced spreads on mortgages in the average spread of the loan portfolio.

After a period in which banks implemented policies of interest rate repricing on loans, mainly directed at loans to companies, a reduction of corporate and consumer loans spreads may be observed in the future, given the weak credit dynamics in the Portuguese corporate sector. This could have a material adverse effect on the Banks business, financial condition, results of operations and prospects. Furthermore, a continuation of the historically low interest rate environment may adversely affect the Bank's net interest income, which in turn would likely have an adverse effect on the Bank's profitability.

***The Bank holds units in specialised credit recovery closed-end funds that are subject to potential depreciation, for which reimbursement may not be requested and for which there is no secondary market.***

The Bank performed a set of securitisation transactions comprising the sale of financial assets (namely loans to customers) to funds specialising in loan recovery. These funds manage the companies or the assets received as collateral with the objective of achieving a pro-active management through the implementation of operation/valuation plans of such companies. The financial assets sold through these transactions were removed from the Bank's balance sheet, as the transactions result in the transfer of a substantial portion of the risks and benefits associated with the assets to the funds, in addition to any control exercised thereof.

The funds specialised in credit recovery that purchased the financial assets from the Group are closed-end funds, wherein the participants have no ability to request the reimbursement of their investment throughout the useful life of the fund. Furthermore, given their intrinsic characteristics and those of the underlying assets, there is no secondary market operating for the participation units, which makes their sale to third parties very unlikely.

These participation units are held by several banks, which are the sellers of the loans, in proportions that vary through the useful life of the funds, guaranteeing however that no bank may hold more than 50% of each fund's capital.

The funds have a specific management structure (led by a general partner), which is independent from the credit assignor banks and selected on the fund's incorporation date.

The funds' management structure is mainly responsible for:

- defining the fund's purpose; and
- managing the fund on an exclusive basis, determining its investment goals and policy, in addition to management conduct and fund business.

The management structure is remunerated through commissions charged to the funds.

## **RISK FACTORS**

The majority of funds in which the Bank holds a minority position were incorporated for the purpose of investing in own capital instruments and third parties' share capital which, in accordance with their investment policies, is their goal. The participating banking institutions subscribe to senior instruments (usually participation units issued by the funds themselves) and junior instruments (for example, subordinated financings or supplementary contributions granted directly to the special purpose vehicles held by the funds).

The value of senior instruments is set as the negotiated fair value based on valuations made by the involved parties and the instruments are paid at an interest rate that reflects the risk of the assets and of the relevant companies.

The value of the junior instruments equals the difference between the fair value based on the valuation of the senior instruments and the value of the assigned credits by the banks.

Junior instruments entitle the holder to a contingent positive value in the event that the value generated by the assigned assets surpasses the amounts to be paid through the senior instruments.

The Bank's total exposure to funds specialised in the recovery of loans was EUR 1,673 million as at 30 September 2016, with an impairment of EUR 472 million, including impairment of the senior and junior tranches with 100% of the latter provisioned. Therefore, the net exposure of the Bank to funds specialised in the recovery of loans was EUR 1,201 million as at 30 September 2016.

A possible deterioration in the prospects for recovery of the loans transferred to specialised closed-end funds may result in the devaluation of the NAV of the held participation units that cannot be sold, leading to additional impairments. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***Financial problems faced by the Bank's customers could adversely affect the Bank.***

Continued market turmoil and poor economic growth, particularly in Portugal and in other European countries, could have a material adverse effect on the liquidity, the activity and/or the financial conditions of the Bank's customers, which could in turn further impair the Bank's loan portfolio.

The Bank's customers' levels of savings and credit demand are dependent on consumer confidence, employment trends, the state of the economies in countries where the Bank operates, and the availability and cost of funding. In addition, customers may further significantly decrease their risk tolerance to non-deposit based investments such as stocks, bonds and mutual funds. This would adversely affect the Bank's fee and commission income. Any of the conditions described above could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

### ***The Bank's portfolio may continue to contract.***

Bank loans to customers (gross) at a consolidated level decreased from EUR 57.2 billion in December 2014 to EUR 55.4 billion in December 2015 and EUR 52.6 billion as at 30 September 2016. In the current economic environment, the Bank's loan portfolio in Portugal may continue to shrink and its loan portfolio abroad may not continue to grow at historic rates, or may even decrease. Furthermore, in addition to the obligations undertaken in the context of the Bank's Restructuring Plan, in some of the Bank's target markets, there is a limited number of customers of high creditworthiness. The Bank has also undertaken commitments in respect of operational efficiency, including the sale of the loan portfolio operations in Switzerland and the Cayman Islands. As the demand for credit in the economy is reduced and the good quality credit loans are repaid, the Bank may face difficulties in exchanging loans that are being reimbursed for good credit quality loans. Developments in the Bank's loan portfolio will be affected by, among other factors, the condition of the Portuguese economy. The continued decline in the value or quality of the Bank's loan portfolio could limit its ability to generate net interest income, which in turn could have a material adverse effect on the Bank's business, financial position, results of operations and prospects.

## RISK FACTORS

### *The Bank is exposed to further deterioration of asset quality.*

The value of assets collateralising the Bank's secured loans could decline significantly as a result of a general decline in market prices or a decline in the value of the asset class underlying the collateral, which could result in an increase of the impairment recognised for the collateralised loans granted by the Group. Loan volume to both businesses and individuals is expected to remain depressed in Portugal due primarily to downward pressure of austerity measures on household disposable income and the firms' profitability, as well as the resulting deterioration in the business environment, more restrictive credit conditions and stressed liquidity. A decline in equity and debt market prices could also have an impact on the quality of the Bank's collateral linked to financial assets leading to a reduction in coverage ratios (as at 30 September 2016, 5% of the loan portfolio's collateral consisted of financial assets compared to 4.7% as at 31 December 2015).

Considering the Portuguese macroeconomic situation and the Bank's older loan exposures to some of the more vulnerable sectors in the economy, in the context of a prudent management of its balance sheet, the Bank has materially increased the amount of provisions and credit impairments booked during the last two quarters (from 31 March 2016 to 30 September 2016). In the three months ended 31 December 2016, the Bank continued to increase the level of coverage through impairments and collateral.

The economic and financial crisis, combined with the implementation of budgetary consolidation measures established under the PAEF, have resulted in a further deterioration of the quality of the Bank's assets, including its loan portfolio.

The Bank's consolidated gross loan portfolio, as at 30 September 2016, was EUR 52.6 billion. As at 31 December 2015, the Bank's consolidated loan portfolio was EUR 55.4 billion. The ratio of overdue loans over 90 days stood at 7.2% as at 30 September 2016, compared to 7.4% as at 30 September 2015; the ratio of overdue loans stood at 7.4% as at 30 September 2016, compared to 8.1% as at 30 September 2015; the ratio of NPLs stood at 11% as at 30 September 2016, compared to 11.5% as at 30 September 2015; the ratio of credit at risk stood at 11.4% as at 30 September 2016, compared to 11.9% as at 30 September 2015. The ratio of NPEs stood at 19% as at 30 September 2016, compared to 20.8% as at 30 September 2015. As at 30 September 2016 the restructured loans ratio reached 10.1% of total loans, a favourable performance from the 10.5% registered at the end of September 2015, and the restructured loans not included in the credit at risk ratio stood at 6% of total loans as at 30 September 2016 (6.6% as at 30 September 2015).

The ratio of overdue loans over 90 days stood at 7.2% as at 31 December 2015, compared to 7.3% as at 31 December 2014; the ratio of overdue loans stood at 7.4% as at 31 December 2015, compared to 7.5% in 31 December 2014; the ratio of NPLs stood at 10.9% as at 31 December 2015, compared to 11.5% as at 31 December 2014; the ratio of credit at risk stood at 11.3% as at 31 December 2015, compared to 12% as at 31 December 2014. The ratio of NPEs stood at 20.1% as at 31 December 2015, compared to 21.2% as at 31 December 2014.

As at 30 September 2016, the loan portfolio in Portugal amounted to EUR 40.3 billion. In Portugal, the ratio of overdue loans over 90 days stood as at 30 September 2016 at 8.7%, compared to 9.1% as at 30 September 2015; the ratio of overdue loans stood at 9% as at 30 September 2016, compared to 9.9% as at 30 September 2015; the ratio of NPLs stood at 13.5% as at 30 September 2016, compared to 14% as at 30 September 2015; the ratio of credit at risk stood at 13.7% as at 30 September 2016, compared to 14.1% as at 30 September 2015. The ratio of NPEs stood at 17.6% as at 30 September 2016, compared to 18.7% as at 30 September 2015.

As at 31 December 2015, the loan portfolio in Portugal amounted to EUR 41.6 billion. In Portugal, the ratio of overdue loans over 90 days stood at 8.9% as at 31 December 2015, compared to 8.9% as at 31 December 2014; the ratio of overdue loans stood at 9.1% as at 31 December 2015, compared to 9.1% in 31 December 2014; the ratio of NPLs stood at 13.4% as at 31 December 2015, compared to 14% as at 31 December 2014 and the ratio of credit at risk stood at 13.5% as at 31 December 2015, compared to 14.1% as at 31 December 2014. The ratio of NPEs stood at 18% as at 31 December 2015, compared to 19.4% as at 31 December 2014.

NPEs in Portugal amounted to EUR 9.3 billion as at 30 September 2016, with 29% of NPEs relating to individuals and 71% to companies. 59% of NPEs are NPLs more than 90 days. NPE coverage as at 30 September 2016 was 98% for Companies (41% by LLRs, 37% by real estate collateral and 19% by other collateral and EL gap) and 99% for Individuals (22% by LLRs, 69% by real estate collateral and 8% by other collateral and EL gap). NPLs more than 90



## RISK FACTORS

days' coverage as at 30 September 2016 was 98% for Companies (49% by LLRs, 36% by real estate collateral and 13% by other collateral and EL gap) and 96% for Individuals (28% by LLRs, 65% by real estate collateral and 3% by other collateral and EL gap). Other NPE coverage as at September 2016 was 97% for Companies (33% by LLRs, 38% by real estate collateral and 26% by other collateral and EL gap) and 106% for Individuals (8% by LLRs, 78% by real estate collateral and 19% by other collateral and EL gap).

The persistence of volatility and adverse economic and financial circumstances at worldwide, European and national levels increases the risk of deterioration of the quality of the consolidated loan portfolio and may also lead to increased impairment losses and deterioration of the regulatory capital ratios. Loan impairment (net of recoveries) amounted to EUR 870.2 million as at the nine-month period ended on 30 September 2016, EUR 833 million as at 31 December 2015 and EUR 1,107 million as at 31 December 2014. From 2011 to 30 September 2016, the Bank made impairment provisions amounting to EUR 5,815.9 million. A significant portion of the foregoing related to inspections to the Bank's loan portfolio, namely Special Inspections Programme Work Stream 1 (EUR 381 million), On-site Inspections Programme (EUR 290 million), Exercício Transversal de Revisão das Imparidades das Carteiras de Crédito-ETRICC (Transversal Exercise of Impairments Revision on the Loan Portfolio) (EUR 306 million) and Asset Quality Review (EUR 313.5 million). Cost of risk<sup>6</sup>, measured by the proportion of loan impairment annualised charges (net of recoveries) compared to loans to customers (gross), stood at 221 basis points as at 30 September 2016, compared to 150 basis points as at 31 December 2015, and 194 basis points as at 31 December 2014. The credit at risk coverage stood at 63.2% as at 30 September 2016, compared to 53.7% as at 30 September 2015. The credit at risk coverage stood at 55.2% as at 31 December 2015, compared to 50.8% as at 31 December 2014. The persistence, or deepening, of the crisis, general market volatility, sluggish economic growth and increased unemployment, coupled with either decreased consumer spending or a sharp increase in risk premiums required would lead to increased loan impairment costs and, consequently, to the reduction of the Bank's net income. In addition, the level of impairment and other reserves may not be sufficient to cover possible future impairment losses, and it may be necessary to create additional provisions of significant amounts. Any failure in risk management or control policies relating to credit risk could adversely affect the Bank's business, financial condition, results of operations and prospects.

In Poland, the NPL ratio as at 30 September 2016 was 2.7%, compared to 2.9% as at 30 September 2015. As at 31 December 2015, the NPL ratio was 2.8%, compared to 3% as at 31 December 2014.

In Mozambique, the NPL ratio as at 30 September 2016 was 5.3%, compared to 6.2% as at 30 September 2015. As at 31 December 2015, the NPL ratio was 6.2%, compared to 4.1% as at 31 December 2014.

Credit risk and deterioration of asset quality are mutually reinforcing. If there is any reduction in the value of assets securing loans that have been granted or if the value of assets is not sufficient to cover the exposure to derivative instruments, the Bank would be exposed to an even higher credit risk of non-collection in the case of non-performance, which, in turn, may affect the Bank's ability to comply with its payment obligations. The Bank cannot guarantee that it would be able to realise adequate proceeds from disposals of collateral to cover loan losses, or that in the fiscal year 2016 and/or in future reporting periods, it will not raise impairment charges from recent levels. Deterioration in the credit risk exposure of the Bank may have a material and adverse effect on the Bank's business, financial condition, results of operations and prospects.

Deloitte & Associados SROC, S.A. ("**Deloitte**") was appointed as the Bank's Statutory Auditor ("*Revisor Oficial de Contas*") on 21 April 2016, with effect as from 5 May 2016. Deloitte has issued a limited review report of the interim condensed consolidated financial statements as at and for the nine months ended 30 September 2016. However, as of the date of this Base Prospectus, Deloitte has not performed an audit of the consolidated financial statements of the Bank, which is only expected to be conducted with reference to 31 December 2016. Accordingly, Deloitte does not express an audit opinion on these interim condensed consolidated financial statements. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing.

---

<sup>6</sup> **Cost of risk, net** - ratio of impairment charges (net of recoveries) accounted to customer loans (gross).

## **RISK FACTORS**

### ***The Bank faces strong competition in its main areas of activity, namely in the retail business.***

The Portuguese banking market is well developed, containing major national and foreign competitors which follow multi-product, multi-channel and multi-segment approaches and are, in general, highly sophisticated. Over recent years, there has been significant developments of banking operations through the internet and the use of new technology that have enabled banks to assess the needs of their customers with greater accuracy and efficiency. These factors have contributed to an increase in competition in the Portuguese banking sector, with new entrants such as Bankinter and Banco CTT who may adopt aggressive commercial practices in order to gain market share. The sale process of Novo Banco is unpredictable and could add to increased competition as the bank could potentially be acquired by an institution with no current presence in the Portuguese banking system. Furthermore, many Portuguese banks are dedicated to increasing their market shares by launching new products, implementing cross-selling strategies and engaging in more aggressive commercial strategies. Additional integration of European financial markets may contribute to increased competition, particularly in the areas of asset management, investment banking, and online banking and brokerage services.

In the nine months ended 30 September 2016, the Bank had 2.3 million customers in Portugal and, in September 2016, the market share in Portugal (estimates based on figures disclosed by Banco de Portugal and other banking industry associations for aggregates of the financial system and with adjustments for statistical standardisation) was the following: 18% in loans to customers, 18.2% in loans to companies, 16.7% in loans to individuals, 17.4% in mortgage loans, 11.4% in consumer credit, 18.9% in customer funds, 17.5% in on-balance sheet customer funds, 17% in deposits and 23.4% in off-balance sheet customer funds.

The Bank's financial success depends on its capacity to maintain high levels of loyalty among its customer base and to offer a wide range of competitive and high quality products and services to its customers. In order to pursue these objectives, the Bank has adopted a strategy of segmentation of its customer base, aimed at serving the various needs of each segment in the most suitable manner, in addition to cross-selling its products and services through its distribution network in Portugal, under the brand "Millennium bcp". However, high levels of competition in Portugal, as well as in other countries where the Bank operates and an increased emphasis on cost reduction may result in the Bank's inability to maintain these objectives. In addition, within the scope of its restructuring programme, on 30 September 2016 the Bank operated 634 branches, meeting the goal of reducing the number of branches to less than 700 until the end of 2017. In addition, the Bank announced a new goal of further decreasing the number of branches by 100 by 2018, working towards its goal of becoming a more digital bank. This resulted in the downsizing of the Bank's branch network and consequently in BCP's branches' market share in Portugal. This may result in a weaker competitive position in the Portuguese retail market. As a consequence, this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Moreover, as at 30 September 2016, around 6% of the Bank's total domestic customers also held ordinary shares of the Bank (around 6.1% as at 31 December 2015 and approximately 5.9% as at 31 December 2014). If the price of the Bank's ordinary shares continues to decline, this could lead to shareholder dissatisfaction and, to the extent that such shareholders are also customers of the Bank, this could result in broader customer dissatisfaction, any of which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

There is no assurance that the Bank will be able to compete effectively, or that it will be able to maintain or improve its operational results. Such inability to compete or maintain results could also lead to a reduction in net interest income, fees and other income of the Bank, any of which could have a further significant material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank may generate lower revenues from commissions and fee-based businesses.***

In the nine months ended 30 September 2016, more than 81% of the fees and commissions related to banking (27.5% to cards and transfers, 30.6% to loans and guarantees, 14.8% to bancassurance, 17.4% to customer account related fees and 9.7% to other fees and commissions), with market related fees and commissions accounting for the remaining 19%. A decrease in the volume of lending transactions that the Bank executes with its customers could result in lower commissions derived from banking operations and guarantees. Moreover, changes to market sentiment could lead to market downturns that are likely to impact transactional volume, therefore leading to declines in the Bank's fees. In

## RISK FACTORS

addition, as the fees that the Bank charges for managing its clients' portfolios are, in many cases, based on the value or performance of those portfolios, a market downturn that reduces the value of the Bank's clients' portfolios or increases the amount of withdrawals would reduce the revenue the Bank receives from its asset management, private banking and custody services. Revenue derived from the Bank's asset management business could also be impacted by below market performance by the Bank's securities investment funds, which could lead to increased withdrawals and reduced inflows. An increase in withdrawals and a reduction in inflows could have a significant material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***Changes in consumer protection laws may limit the fees that the Bank can charge in certain banking transactions.***

Changes in consumer protection laws in Portugal and other jurisdictions where the Bank has operations could limit the fees that banks may charge for certain products and services, such as mortgages, unsecured loans, credit cards and fund transfers and remittances. If introduced, such changes could reduce the Bank's net income, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

### ***Downgrades in the Bank's credit rating could increase the cost of borrowing funds and make the Bank's ability to raise new funds or renew maturing debt more difficult.***

The Bank's ratings are assigned by Moody's España, Standard & Poor's, Fitch and DBRS. The ratings as of the date of this Base Prospectus are the following: (a) Moody's España: "B1/NP" (re-presented as at 14 June 2016), (b) Standard & Poor's: "BB-/B" (re-presented as at 23 February 2017), (c) Fitch: "BB-/B" (re-presented as at 12 May 2016) and (d) DBRS: "BB (high)/R-3" (re-presented as at 15 June 2016). The risk ratings for the Bank's subordinated debt are: "BB" by DBRS, "B3" by Moody's España and "CCC" by Standard & Poor's. In June 2016, Moody's España, Fitch and DBRS confirmed a stable outlook for the Bank, while Standard & Poor's confirmed a positive outlook.

Each of Moody's España, Standard & Poor's, Fitch and DBRS is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such Moody's España, Standard & Poor's, Fitch and DBRS are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

Credit ratings represent an important component of the Bank's liquidity profile and affect the cost and other terms upon which the Bank is able to obtain funding. Changes to the Bank's credit ratings reflect, apart from changes to the rating of the Portuguese Republic, a series of factors intrinsic to the Bank. Currently, the ratings assigned to the Bank, with the exception of the ratings assigned by the British branch of DBRS, are non-investment grade. In terms of capital, and despite the fact that the rating agencies recognise that the solvency levels of the Bank are better primarily due to the recapitalisation by the Portuguese State and by shareholders in June and September 2012, respectively, and more recently in July 2014 and in June 2015 (the latter within a context of a voluntary and partial tender offer for the purchase of securities, Oferta Pública de Aquisição Voluntária e Parcial de Valores Mobiliários), it remains uncertain whether adverse conditions of the Portuguese economy could impact the Bank's profitability and ability to generate income, jeopardising the Bank's ability to preserve capital. The rating agencies also consider the following additional risk factors: (i) the declining quality of the loan portfolio and any exposure to small and medium enterprises in Portugal; (ii) the Bank's exposure to public debt; (iii) the Bank's exposure to its main clients, particularly shareholders (6% of BCP's shareholders were also clients of BCP as at 30 September 2016); and (iv) continued dependency on funding from the ECB.

Any downgrade in the Bank's ratings may contribute to the erosion of the collateral eligible for funding by the ECB, as well as more restrictive access to funding and increased funding costs. Under such circumstances, the Bank may need to reinitiate its deleveraging process and reduce its activities, which could have a negative impact on the Bank's ratings. Any of the foregoing could have a material adverse effect on its business, financial condition, results of operations and prospects.

## RISK FACTORS

### *The Bank is exposed to risks in its international operations.*

In the first nine months of 2016, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR 134.8 million, compared to net losses (after income taxes and non-controlling interests) of EUR 251.1 million for the Bank as a whole. For the same period, net income in Poland was EUR 130.3 million, (EUR 65.3 million of which was attributable to the Bank), net income in Angola was EUR 46.9 million (EUR 36.8 million associated with net income of BMA, of which EUR 18.4 million was attributable to the Bank and EUR 10 million associated with the share of profit of Banco Millennium Atlântico, consolidated by the equity method) and net income in Mozambique was EUR 51.8 million (of which EUR 34.5 million was attributable to the Bank).

In 2015, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR 176.5 million, compared to net profits (after income taxes and non-controlling interests) of EUR 235.3 million for the Bank as a whole. For the same period, net income in Poland was EUR 130.7 million (of which EUR 71.5 million was attributable to the Bank) net income in Angola was EUR 75.7 million (of which EUR 37.9 million was attributable to the Bank) and net income in Mozambique was EUR 84.2 million (of which EUR 56.2 million was attributable to the Bank).

In addition, and in terms customary for this type of transaction, in the context of the Bank's divestiture of its international operations in Greece and Romania, the Bank may be liable for certain future contingencies that may still materialize, subject to maximum limits.

Any reduction in profits or increase in the responsibilities associated with the Bank's international operations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank.

### *The Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique).*

The Bank faces exposure to macroeconomic risks in its operations in Poland and Mozambique, as well as a result of its participation in Angolan BPA, whose materialisation in the future may have an adverse impact on the business, financial condition, results of operations and prospects of the Bank.

#### *Poland*

Poland withstood the impact of the global crisis resiliently. After a marked slowdown in 2012, which deepened in the first half of 2013, economic activity in Poland rebounded, benefiting mainly from the strong growth in exports, notwithstanding the geopolitical tension in the Ukraine. During 2014 and 2015, the Polish GDP accelerated further through firmer exports and increased domestic demand due to improvement in the labour market. In 2015 the Polish GDP growth rate was 3.9% and in the medium-term the EC expects that the Polish GDP growth rate will remain above 3% with GDP expected to grow 3.1% in 2016, 3.2% in 2018 and 3% in 2021 (sources: EC, Autumn 2016; IMF, World Economic Outlook ("WEO") October 2016).

Against this positive background, a potential downward revision of external demand, mainly by the rest of the EU, the main trading partner of Poland, and by Russia, which faces a recessive environment, may constrain activity and negatively affect the confidence levels of households and businesses, which would have repercussions on the financial condition of customers and therefore on the Bank's results. In addition, the risks of renewed instability in financial markets and political tensions in Poland and elsewhere in the EU, on the back of the United Kingdom's exit from the EU, could lead to greater volatility of the Polish zloty exchange rate and affect the Bank's results directly through financial operations and indirectly through repercussions on the clients' financial situation. Moreover, there is the risk that the implementation of more economic policy decisions targeting the banking system by Polish authorities could negatively affect investors' confidence and the economic activity and, consequently, negatively impact the profitability of the Polish banking sector.

The removal of the peg of the EUR/CHF parity led to a significant appreciation of the Swiss franc against the euro and the zloty. The granting of loans in Swiss francs was a common practice of most Polish banks (and in other economies of Central and Eastern Europe) in the past. Bank Millennium SA ("**Bank Millennium**") granted mortgage loans in Swiss

## RISK FACTORS

Francs until December 2008 and its Swiss francs mortgage loans portfolio on 30 September 2016 stood at approximately EUR 4.1 billion (approximately 37.3% of the total loan portfolio). The mortgage loans denominated in CHF impaired ratio stood at 2.8% and the coverage by provisions at 45% at 30 September 2016. Taking into consideration the loans more than 90 days past due, the ratio is only 2.7% and the coverage by provisions is at 107% at 30 September 2016.

Bank Millennium stopped granting mortgage loans in foreign currencies in 2009. Consequently the Polish foreign exchange mortgage loans is a mature portfolio, constantly decreasing according to the repayment rate and with a low impairment ratio and high coverage by provisions. Currently, Bank Millennium's foreign exchange mortgages amount to 37.4% of the Polish bank's loan book (EUR 4.1 billion), which represents 7.9% of the Group's total loans.

Andrzej Duda, the Polish President, convened a team of experts to modify his proposed bill for the conversion of CHF denominated mortgages, after his initial proposal was scrapped primarily due to its high cost to Poland's financial system. The Polish banking regulator estimated the proposed bill's cost for banks at PLN 44.6 billion to 66.9 billion (EUR 10.2 billion to EUR 15.4 billion).

The Polish President announced a new plan for CHF-denominated mortgage loans in August 2016, according to which banks must return the cost of excessive foreign exchange spreads they charged their clients, potentially equalling several billion zloty. The decision to limit the scale of the requirement was due primarily to concerns regarding the deteriorating situation of European financial institutions.

According to news publications that mention the Polish President's advisors as their source, the planned bill envisages different methods for restructuring the loans. It is expected to include the foreign exchange spread charged to clients, the conversion of the loan at a "fair" exchange rate and the cancellation of the loan through the delivery of real estate collateral. The bill may assume debt-to-income criteria for conversion eligibility. Polish banks should be able to spread the conversion costs over time and will have the option to create a special purpose vehicle to spin-off foreign exchange loan portfolios. In any case, also based on the statements of Polish authorities, it is expected that any solution that may be approved will take into consideration the stability of the Polish financial system and the overall impacts for the Polish economy.

The draft law was sent to the Polish Parliament for further proceeding as a Presidential Proposal. The Polish Banking Association and National Bank of Poland sent to the Parliament remarks and reservations to the draft law. The first debate in Parliament took place on 20 October 2016. The process is still ongoing.

In the described circumstances it is not possible to estimate the impact of potential regulations on the banking sector. However, these legislative and regulatory intentions regarding FX mortgage loans, if implemented and made mandatory for banks, could significantly deteriorate the Bank Millennium's profitability and capital position.

To be able to minimise this potential negative effect and in line with supervisory recommendations, Bank Millennium has been strengthening its capital ratios, building relevant capital buffers that may cushion potential negative impacts from a legislative action.

Bank Millennium's foreign exchange mortgages as at 30 September 2016 amount to 37.4% of the Polish bank's loan book (EUR 4.1 billion), which represents 7.9% of the Group's total loans.

### *Mozambique*

Mozambique faces important economic and financial challenges. After being one of the fastest growing economies in Sub Saharan Africa, with five consecutive years of GDP growth rates above 7%, the Mozambican economy decelerated in 2015 to 6.6% and is projected to expand by 4.5% in 2016 (source: IMF, WEO October 2016). The deceleration resulted from the fall in commodity prices, in particular gas, coal and aluminium, which caused a fall in export revenues and a slower pace of foreign direct investment. This led to the deterioration of public finances and of the current account balance and to the depreciation of the Metical. According to the IMF, the general gross government debt as a percentage of GDP rose from 62.4% in 2014 to 86% in 2015, while the current account balance as a percentage of GDP was negative 39% in 2015, compared to negative 38.2% in 2014. Due to exchange rate instability, the Mozambican

## RISK FACTORS

government requested an emergency loan from the IMF at the end of 2015 (source: IMF, 2 December 2016) and adopted a more restrictive monetary and fiscal policy in order to restore economic stability. However, in April 2016, the IMF and international donors halted aid to Mozambique, after finding an undisclosed external guaranteed debt of \$1.4 billion (source: IMF, 24 June 2016). The deterioration of its fiscal position in the following months led the Mozambican authorities to miss an interest payment on dollar bonds due on January 18. Against this background, the Mozambican authorities were urged to implement quick and decisive measures to avoid further deterioration of the country's economic and financial condition and to strengthen transparency and governance and resumed negotiations with the IMF conducive to financial and technical support. Any delays in the negotiations with the IMF and the implementation of structural reforms and the prescribed policies could worsen the country's economic and financial conditions and lead to a further loss of confidence of foreign investors and donors. Furthermore, any downward movements in the prices of commodities, namely aluminium and coal, could negatively impact the reform effort. Finally, a deterioration of the economic and financial situation may contribute to the rise of political tensions (Frelimo and Renamo have been holding start stop talks aimed at ending a military conflict that was resumed in 2013). Any of these may negatively affect the business environment.

Any of the foregoing may negatively affect the Bank's business, financial condition, results of operations and prospects.

In the medium-term, the Mozambican economy is expected to return to growth levels near 7%. The GDP growth rate is forecast to stand at 6.7% in 2018 and to accelerate to 6.8% in 2021 (source: IMF, WEO October 2016).

Despite the Mozambican banking sector's high concentration in 2015 the three largest banks had a combined market share of approximately 70% the competitive environment is dynamic, with a total of 19 banking groups currently competing in the market. Mozambique exhibits a low level of banking activities, with low but increasing banking business volumes. The ratio of credit to the private sector to GDP stood at 35.4% at the end of 2015 (source: World Bank). Moreover, both credit and deposits recorded average annual growth rates above 20% between 2010 and 2015.

According to the IMF, the banking sector in Mozambique in September 2015: (i) had a return-on-equity ratio of 23.4%; (ii) may be considered adequately capitalised, with an equity capital ratio of 16.5%; (iii) may be considered liquid, with a ratio of loan-to-deposits of 79.9%; and (iv) has a moderate delinquency level with a ratio of overdue loans of 4.3%.

### *Angola*

In Angola, the real GDP growth rate slowed down from 4.8% in 2014 to 3% during 2015 and is expected to stagnate in 2016 (source: IMF, WEO October 2016). Since 2014, the fall of oil prices significantly reduced fiscal revenues and foreign exchange earnings from energy sector exports, a development that has especially hampered private consumption and public investment, leading to a reduction of the Angolan GDP growth rate. The developments in international oil markets also led to a scarcity of U.S. dollars in the Angolan economy, which in turn pressured the value of the Kwanza against the American currency downwards, leading to a rise in inflation and imposing the need for a more restrictive monetary policy and for a significant fiscal effort to ensure public debt sustainability.

Against this background, Angola's government requested technical and financial support from the IMF and discussions were held between Angolan authorities and the IMF from 1 June to 14 June 2016 (IMF, 14 June, 2016; press release No. 16/283). However, the government decided to discontinue the discussion regarding a request for an extended fund facility support programme (IMF, 30 June 2016, press briefing transcription), maintaining only interest on technical support. This could delay the structural reforms conducive to a more diversified economic structure and also lower the level of solvency and perceived safety of the banking system, thereby raising the risks of financial and economic instability. Political uncertainty around the general elections, which are set to occur in August 2017, may also delay the implementation of important structural reforms to ensure economic diversification and exchange rate stability.

The adverse fiscal impact of lower oil prices may lead to a further weakening of budgetary management which would increase vulnerability to external shocks. In this context, the Angolan economy is considerably vulnerable to further decreases in the price of oil and the GDP growth rate is expected to remain at low levels in the medium-term, with a GDP growth rate of 2.4% projected by the IMF for 2018 (source: IMF, WEO October 2016). In the following years, the GDP growth rate should accelerate and is projected to grow to 3.5% in 2021 (source: IMF, WEO October 2016).

## RISK FACTORS

Despite the large number of banks operating in Angola, with 28 banking institutions authorised in 2015, the Angolan banking sector shows a relatively high degree of concentration. In 2015, the five largest banks had a combined share of 69% of credit and 68% of deposits (source: Banco Nacional de Angola). Although the ratio of credit to the private sector to total GDP (27.2% in 2015) and the loans' annual growth rates (2% in 2015) are relatively low, the deposits have displayed great dynamism, registering annual growth rates of 14% in 2015.

In quantitative terms, the banking sector in Angola presented in 2015: (i) a return-on-equity ratio of 12.9%; (ii) adequate capitalisation levels, with a solvency ratio of 19.8%; (iii) high levels of liquidity, with a ratio of loans-to-deposits of 59% and (iv) a ratio of overdue loans of 11.6%.

Any of the foregoing may negatively affect the Bank's business, financial condition, results of operations and prospects.

***The Bank's operations in emerging markets expose its business to risks associated with social, economic and political conditions in those markets.***

The Bank operates in certain emerging markets, particularly in Africa, which present specific political, economic, fiscal, legal, regulatory and social risks that differ from those encountered in countries with European economic and political systems, including, but not limited to, those related to political and social environments, different business practices, logistical challenges, shortages of skilled labour, trade restrictions, macroeconomic imbalances and security challenges.

The Group's operations are currently exposed in particular to the political and economic conditions of Angola and Mozambique. These conditions also relate to the fact that structural improvements are still needed in many sectors in these markets, including transportation, energy, agriculture and mineral sectors, as well as land, social and fiscal reforms. Some of these markets may also suffer from geopolitical conflict, while a number of African states have unresolved political differences internally, regionally and/or internationally. For example, upcoming elections in Angola in 2017 could give rise to political uncertainty and any changes in the government could result in significant policy changes.

Additionally, the Bank's operations in those markets may involve protracted negotiations with host governments, companies or other local entities and may be subject to instability arising from political, economic, military or legal disturbances. Both Mozambique and Angola impose certain restrictions due primarily to exchange policy controls and capital flows to and from other jurisdictions are likewise subject to such controls and restrictions. Therefore, the ability to transfer U.S. dollars and Euros directly from local banks, including the repatriation of profits, is subject to official vetting. Transfers above a threshold amount may require government approval, which may not be obtained or may be subject to delays. Regarding Millennium bim, in Mozambique, the amount of dividends paid out to the Group in 2015 totalled EUR 18 million, while the Angolan company, which was a subsidiary at that time, paid out dividends amounting to approximately EUR 13 million, corresponding to 2015 and paid in 2016. Any of the factors detailed above or similar factors could adversely affect the Bank's business, financial condition, results of operations and prospects.

***The Bank's highly liquid assets may not cover liabilities to its customer base.***

The Bank's main source of funding is its customer deposits (78% of the Bank's funding as at 30 September 2016, 80% as at 31 December 2015 and 75% as at 31 December 2014, from a liquidity management perspective). However, the persistence of interest rates at historically low levels (that are negative in some cases) over the past few years has resulted in the Bank investing deposits into instruments with higher potential yield. The Bank's other possible funding sources include money market instruments, medium and long term bonds, covered bonds, commercial paper, medium term structured products and the securitisation of its loan portfolio. The Bank has increasingly strengthened its own funds through capital increases (the most recent ones, amounting to EUR 1.33 billion and EUR 174.6 million through the Rights Offering and the private placement of 157,437,395 new shares, subscribed by Chiado, an affiliate of Fosun, completed in February 2017 and November 2016 respectively, following the capital increase amounting to EUR 481.2 million as a result of the public offer of securities, completed in June 2015, the share capital increases in cash of EUR 2.25 billion completed in July 2014 and the share capital increase of EUR 500 million completed in October 2012) and the June 2012 GSIs of EUR 3 billion (which GSIs have, as of 9 February 2017, been repaid in full).

## **RISK FACTORS**

The Bank's liquidity coverage ratio and the net stable funding ratio recorded as at 30 September 2016 were 135% and 113%, respectively, compared to a benchmark of 100% (fully implemented) for both ratios. The leverage ratio stood at 6.2% (phased in) and at 4.8% (fully implemented) as at 30 September 2016, compared to a reference value of 3% (fully implemented).

In case the Bank is unable to maintain its capacity of obtaining liquid assets, its ability to repay its liabilities will be limited, which may represent a substantial adverse effect in its business, financial condition, results of operations and prospects.

### ***The eventual incorporation of a "bad bank" in Portugal may result in additional capital needs for the Bank.***

In the last few months, members of the Portuguese government and representatives of Banco de Portugal have been making public references to the possibility of incorporation of an entity or mechanism aiming at the acquisition (addressed to Portuguese banks) and management of credits in default.

The Bank has publicly stated that such solution is not necessary, as it has been implementing a plan that aims at the reduction of NPEs from its balance sheet, through the adoption of a set of internal measures and proceedings.

Notwithstanding the fact that no final decision is known to have been taken in relation to this matter regarding the precise terms and conditions according to which such entity or mechanism could be incorporated and any transfer of assets that could occur, as well as the respective timeline for creation of such "bad bank", the implementation of the plan to create such "bad bank" for the reduction of the NPEs held by the Bank could cause the transfer of credits at a value lower than the accounting value, which would constitute a loss for the Bank and, consequently, a deterioration of its capital ratios. This could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The results of additional stress tests could result in a need to increase capital or a loss of public confidence in the Group.***

National and international regulators, including the IMF, the ECB and the EBA, have been conducting stress tests on the banking sector. On 29 July 2016, the EBA published the results of the 2016 EU-wide stress test, which involved a significant sample of EU banks, and disclosed the outcomes for 51 banks, of which 37 are directly supervised by the ECB, covering 70% of banking assets in the Eurozone.

The EBA-led stress test was conducted in coordination with the ECB. Besides the coordination of the exercise, the EBA was responsible for running the exercise for the major banks in the Eurozone. The ECB has conducted a parallel stress test for additional significant banks under its supervision, including BCP.

No minimum capital threshold to which the banks have to comply with was set, but the stress tests results will be taken as an input for the overall 2016 SREP. The minimum 5.5% CET 1 ratio (phased-in) required in 2014 was initially kept as a reference in the adverse scenario. The Bank is currently in compliance with SREP requirements; however, if the requirements change in the future, it could have an impact on the Bank's capital needs and adversely affect the Bank's business, financial condition, results of operations and prospects.

Regarding the Portuguese banks, the adverse scenario consisted of an economic recession, together with deflation, increase in unemployment, increase in public debt yields and massive real estate devaluation.

While BCP's CET 1 phased in ratio stood at 7.2% under the adverse scenario (compared to 2.99% in the stress test of 2014), there can be no guarantee that this CET 1 ratio will be maintained in the future. Moreover, additional tests could reveal further need for capital in a specific bank or in the Portuguese banking system in general, and could lead to the approval of new regulations for the financial system.

The disclosure of the results of the stress tests may also result in a reduction in confidence in a particular bank or the banking system as a whole. The Bank cannot exclude the need for additional provisions for impairments. Consequently,



## RISK FACTORS

new stress tests could adversely affect the cost of funding for the Bank and have a materially adverse impact on its business, financial condition, results of operations and prospects.

As a consequence of SREP, excluding P2G, the minimum CET 1 phased-in ratio required is 8.15%, the Tier 1 is 9.65% and the total capital ratio is 11.65% from 1 January 2017. The capital ratios in 30 September 2016 were 12.2% (phased in) and 9.5% (fully implemented).

SREP may increase and an additional cushion may be requested. In addition, Polish CET 1 requirements may increase, requiring further capital injection or preventing dividend payments, which would result in trapped capital in the Bank's Polish subsidiary.

*The Bank's ability to achieve certain targets is dependent upon certain assumptions involving factors that are significantly or entirely beyond the Bank's control and are subject to known and unknown risks, uncertainties and other factors.*

The achievement of the Bank's internal targets will depend on the verification of assumptions involving factors that are significantly or entirely beyond the Bank's control and subject to known and unknown risks, uncertainties and other factors that may result in management failing to achieve these targets. These factors include those described elsewhere in this section and, in particular:

- the Bank's ability to successfully implement its Recapitalisation Plan and the Restructuring Plan;
- the Bank's ability to successfully implement its funding and capital plans;
- the successful implementation of economic reforms in Portugal;
- the Bank's ability to access funding in the capital markets;
- the level of the Bank's current provisions against NPLs;
- the Bank's ability to reduce NPEs;
- the quality of the Bank's assets;
- the Bank's ability to reduce costs;
- the Bank's ability to deleverage;
- the financial condition of the Bank's customers;
- reductions to the Bank's ratings;
- growth of the financial markets in the countries in which the Bank operates;
- the Bank's ability to grow internationally;
- future market conditions;
- currency fluctuations;
- the actions of regulators;
- changes to the political, social and regulatory framework in which the Bank operates;
- macroeconomic or technological trends or conditions, including inflation and consumer confidence,

## RISK FACTORS

and other risk factors identified in this Base Prospectus. If one or more of these assumptions is inaccurate, the Bank may be unable to achieve one or more of its targets, which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank regularly uses financial models in the course of its operations. These financial models help inform the Bank of the value of certain of its assets (such as certain loans, financial instruments, including illiquid financial instruments where market prices are not readily available, goodwill or other intangible assets) and liabilities (such as the Bank's defined benefit obligations and provisioning) as well as the Bank's risk exposure. These financial models also generally require the Bank to make assumptions, judgements and estimates which, in many cases, are inherently uncertain, including expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions and may result in a decrease in the value of, and consequently an impairment of, the Bank's assets, an increase in the Bank's liabilities or an increase in the Bank's risk exposure, any of which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Property prices in Portugal have remained largely flat since 2000, particularly in comparison to property prices in Spain.

In particular, recent historic market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and made it difficult to value some of the Bank's financial instruments. Decreased valuations reflecting prevailing market conditions, faulty assumptions or illiquidity, may result in changes in the fair values of these instruments, which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank is vulnerable to fluctuations in interest rates, which may negatively affect net interest income and lead to net loss and other adverse consequences.***

Interest rates are highly sensitive to many factors beyond the Bank's control, including policy changes of the monetary authorities and other national and international political constraints. Changes in market interest rates could affect the interest rates the Bank charges on interest-earning assets differently from those it pays on interest-bearing liabilities. These differences could reduce the Bank's net interest income. ECB interest rates were cut to zero, which could affect market interest rates. Furthermore, market interest rates could remain negative for a long period, as is the case with Euribor. These developments may negatively affect the Bank through, among others things, the lower average interest rate of its loan portfolio, reduced demand for deposits and increased competition. As a result of these factors, interest rate changes or volatility may materially and adversely affect the Bank's net income, business, financial condition, results of operations and prospects.

Although the data released for the Eurozone related to GDP and inflation confirm a scenario of weak economic dynamics and absence of inflationary risks, an increase of interest rates in the Eurozone could increase the costs associated with debt repayment in Portugal and aggravate the financial conditions of the country in general, namely if the interest rate increase is not adequate for the particular macroeconomic conditions of the Portuguese economy. An increase in interest rates could reduce demand for loans and the Bank's capacity to grant loans to customers, contribute to increased loan default and/or increased interest expense with deposits. This could result in material adverse effects on the Bank's business, financial condition, results of operations and prospects.

***The Bank currently operates in an environment of negative or close to zero short term interest rates (including ECB interest rates), which may continue for a long period of time, which could have a negative impact on the Bank's financial margin and results.***

As at the date of this Base Prospectus, the interest applied by the ECB to the main refinancing operations is 0%, while the one that applies to permanent deposit facilities is -0.4%. These two interest rates, which serve as determinant references for the level at which market interest rates are established (in particular, Euribor), were consecutively reduced in the past 5 years.

The Bank's profitability depends largely on its ability to generate a financial margin (the difference between the interest rates perceived in credit operations and the interest rates paid to deposits).

## **RISK FACTORS**

A significant part of the Bank's funding comes from retail deposits. In a negative interest rate environment the Bank may not be able to reduce the remuneration rate of such deposits consistently with the reduction of the interest rate applicable to credit operations. On the other hand, very low interest rates may result in a reduction of deposits stock and force the Bank to resort to more expensive financing instruments.

The majority of the Bank's credit portfolio is comprised of variable interest rate loans, linked to Euribor. A continuous decline in or maintenance of market interest rates at the current low levels could lead to the erosion of the Bank's financial margin, which the Bank (given the current environment in which it operates), may not be able to mitigate through the increase of its loan portfolio. This could result in material adverse effects on the Bank's business, financial condition, results of operations and prospects.

***The Bank is exposed to reputational risks, including those arising from rumours that affect its image and customer relations.***

Reputational risk is inherent to the Bank's business activity. Negative public opinion towards the Bank or the financial services sector as a whole could result from real or perceived practices in the banking sector, such as money laundering, terrorism financing, the fraudulent sale of financial products or breach of competition rules, or a departure from the way that the Group conducts, or is perceived to conduct, its business. Negative publicity and negative public opinion, particularly in relation to pending litigation that could be resolved against the Bank's favour, could adversely affect the Bank's ability to maintain and attract customers, the loss of which could adversely affect the Bank's business, financial condition and future prospects, due, for instance, to a run on deposits and subsequent lack of funding sources.

The Bank may be unable to detect tax evasion or tax avoidance behaviour by clients, which could be attributed to the Bank. Failure to manage such risk could lead to reputational damage and to financial penalties for failure to comply with required tax procedures or other aspects of tax law, which could materially adversely affect the Bank's business, results of operations, financial condition and prospects.

The Bank has a limited number of customers who are classified as politically exposed persons pursuant to the applicable legislation, including Notice No. 5/2013 of Banco de Portugal, as amended. Although the Bank exercises increasingly stricter scrutiny of transactions with politically exposed persons in order to ensure compliance with applicable laws, the services provided to these individuals may expose the Bank to reputational risks, notwithstanding the Bank's compliance with applicable laws.

***The Bank may have difficulty in hiring and retaining board members and qualified personnel.***

The Bank's ability to successfully implement its strategy depends on its ability to recruit and maintain the most qualified and competent members for its governing bodies and for employment positions in Portugal and other countries. Restrictions on the compensation of members of management and supervisory bodies provided for in Ministerial Order 150-A/2012, of 17 May 2012, to the greater of: (i) 50% of such members' average compensation over the previous two years; or (ii) the remuneration received by members of management and supervisory bodies of public credit institutions, may hinder the Bank's ability to maintain and/or attract members with the desired profile.

The composition of the Board of Directors of the Bank and/or its Executive Committee might change due primarily to decisions made by the shareholders or by the Board of Directors or due to other circumstances.

On 31 December 2013, a memorandum of understanding was signed with the unions to implement a process of salary adjustments of temporary duration, allowing the Bank to achieve the commitments undertaken with the EC and the Portuguese State to reduce personnel costs. This agreement entered into force on 1 July 2014 and, besides reducing compensation, it suspends promotions, progressions and seniority payments that were to be paid up until the end of 2017. This salary reduction is to be returned to the employees, subject to approval by the Bank's General Meeting of Shareholders following a proposal from the Executive Committee.

During the last week of 2016, the negotiations that had been held since October with some unions were concluded. The purpose of the negotiations was to review the Collective Agreement (*Acordo Coletivo de Trabalho*), which had as its main objective to enable the Bank to adequately maintain the evolution of short-term employee costs (which objective

## RISK FACTORS

is considered to have been achieved), in order to allow the Bank to achieve sustainable levels of profitability with the least possible impact on employees' lives.

This revision of the Collective Agreement covered a number of matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the reversal of the salary reductions that was only scheduled to occur on January 2018, provided that all GSIs would have been reimbursed during the first half of 2017 and (ii) the extension of the retirement age in order to align it with the social security age, which will allow the strengthening of the sustainability of pension funds.

The formal publication of the new Collective Agreement in the "*Boletim de Trabalho e Emprego*" will determine the start of the implementation of the new provisions of the Collective Agreement.

Regarding the international operations, there has been a high staff turnover in the Bank's operations in Poland and Mozambique. In Poland, 1,059 employees left the Bank and 857 employees were hired in 2015, with the total number of employees by the end of 2015 being 5,911 (5,992 headcount). In Mozambique, in 2015, the exits surpassed the number of new employees, with staff turnover of 156 and 148 employees, respectively. At the end of 2015 the total headcount stood at 2,505 employees.

The inability to attract and retain qualified and competent members for its governing bodies and/or other employee positions could limit or delay the implementation of the Bank's strategy, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The coverage of pension fund liabilities could be insufficient, which would require an increase in contributions, and the computation of additional actuarial losses could be influenced by changes to assumptions.***

The Bank has undertaken the obligation to pay pensions to its employees upon retirement or due to disability and other obligations, in accordance with the terms established in the Collective Labour Agreement of the Banking Sector. The Bank's liabilities are primarily covered by the pension fund, which is managed by Ocidental-Sociedade Gestora de Fundos de Pensões, S.A. The total number of the pension fund participants was 27,451 as at 30 September 2016 and 27,505 as at 31 December 2015.

The liabilities related to retirement pensions and other employee benefits (excluding liabilities regarding employee benefits not covered by the pension fund, namely the liability named extra-fund) were wholly funded at levels above the minimum limits defined by Banco de Portugal, presenting a coverage level of 110% at the end of September 2016 (111% as at 31 December 2015). As at 30 September 2016, the liabilities related to the pension fund and other employee benefits (including liabilities regarding employee benefits not covered by the pension fund, namely the liability named extra-fund) reached EUR 3,160 million, compared with EUR 3,136 million recorded as at 31 December 2015. In the first nine months of 2016, the pension fund recorded a negative 2.37% rate of return, whereas in 2015 it stood at negative 0.8%.

Regulation (EU) No. 475/2012, of 5 June 2012, which amended IAS 19, eliminated the option to defer the recognition of gains and losses, which is known as the corridor method.

Banco de Portugal authorised the maintenance of the corridor for prudential purposes only in the calculation of the phased in capital ratio, establishing its annulment within the period of five years, starting 1 January 2014. For the purposes of the fully implemented capital ratio, the corridor is no longer considered. Accordingly, as at 30 September 2016, the corridor plus the regulatory capital (CET 1) for purposes of the phased in capital ratio was of EUR 127 million. This value shall be progressively deduced to the phased in capital ratio until 2018.

The level of coverage of pension fund liabilities could turn out to be insufficient. If the deterioration of global financial markets leads to lower investment income and, consequently, a lower value of the fund, this would result in actuarial losses for the year, which would be recognised against reserves in the financial year in which they were recorded. As at 30 June 2016, the Bank used a discount rate of 2.5% to measure its liability for the defined benefit pension plans of its employees and managers, equivalent to the rate used in its accounts as at 31 December 2015. In the financial statements with reference to 30 September 2016, the discount rate and the pension growth rate were reduced by 0.5%, the discount

## RISK FACTORS

rate becoming 2% and the pension growth rate 0% (it was previously considered a growth of 0% until 2017 and 0.5% after 2017), considering the reduction in the level of relevant market interest rates in this context and the need to adequately frame the evolution of the liabilities to retired pensioners while maintaining the current level of market interest rates for the settlement period of these liabilities, considering that, unlike pensioners, active employees have supported salary reductions, which have been in force since 2014. The effect of the reduction of the pension growth rate resulted in an increase of the Bank's own capital as at 30 September 2016. The Bank shall re-evaluate the adequacy of its actuarial assumptions for the calculation of its liabilities with pensions until the end of the year. A decrease in level of the interest rates for the liabilities liquidation deadline or an increase in the pensions growth rate would imply a decrease in the Bank's own capital. A decrease of 25 bps in the discount rate results in a reduction of around EUR 139 million in the Bank's own capital, excluding the tax effect. An increase of 25 bps in the pensions' growth rate results in a reduction of around EUR 141 million in the Bank's own capital, excluding the tax effect.

Actuarial gains and losses resulting from the differences between the assumptions used and the values actually verified (experience gains and losses) and the changes in the actuarial assumptions are recognised against own capitals. In the nine months ended 30 September 2016, actuarial differences represented negative EUR 180 million (negative EUR 111 million as at 31 December 2015). To the extent there are shortfalls in the pension fund's rate of return, the Bank would have to increase its contributions, which would have an impact on the Bank's regulatory capital ratios. The Bank cannot guarantee that changes will not take place in the actuarial assumptions relating to the pension obligations and other employee benefits. Any changes in the assumptions could lead to additional actuarial losses which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Finally, the value of assets that are part of the pension fund depends on the future evolution of capital markets and of the real estate market. A decline in the capital markets and of the real estate market could cause the value of the portfolio's assets to become insufficient to cover the liabilities assumed by the pension fund, adversely affecting capital ratios and the Bank's business, financial condition, own capital and prospects.

### ***Labour disputes or other industrial actions could disrupt Bank operations or make them more costly to run.***

The Bank is exposed to the risk of labour disputes and other industrial actions. 84.8% of the Bank's employees in Portugal and 72% of all its employees were members of labour unions at the end of 2015 and the Bank may experience strikes, work stoppages or other industrial actions in the future. Any of these actions could, possibly for a significant period of time, result in disruption to the Bank's activity and increased salaries and benefits granted to employees or otherwise have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank is exposed to market risk, which could result in the devaluation of investment holdings or affect its trading results.***

The performance of the financial markets could cause changes in the value of the Bank's investment and trading portfolios. Changes in the interest rate level, yield curve and spreads could reduce the Bank's net interest margin. Changes in foreign exchange rates could affect the value of its assets and liabilities denominated in foreign currencies and could affect the results of trading. The main measure used by the Bank in evaluating general market risks (including interest rate risk, foreign exchange rate risk and equity price risk) is Value at Risk ("VaR"). VaR is calculated based on analytical approximation defined in the methodology adopted by Risk Metrics (1996). It is calculated using a 10 business day time horizon and a unilateral statistical confidence interval of 99%. During the nine months ended 30 September 2016, the average VaR for the global trading portfolio (according to prudential allocation) was below EUR 5 million, still impacted by Angola unit's portfolio.

The interest rate risk derived from the operations of the banking book is assessed through a risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated balance sheet. The sensitivity is determined by the difference between the present value of the interest rate mismatch (discounted at market interest rates) and the value of the same mismatch discounted at rates with +100 basis points (for all terms), worth negative EUR 11 million, as at 30 September 2016, for the currency in which the Bank has the most significant position, the Euro.

## RISK FACTORS

The portfolio of shares, accounted either in trading or available for sale captions totalled EUR 74.8 million as at 30 September 2016, compared to EUR 176.7 million as at 31 December 2015 and EUR 123.6 million as at 31 December 2014. Any depreciation in the value of the Bank's share portfolio, could have a material adverse effect on its financial condition and results of operations.

The Bank has significant exposure to participation units in closed-end funds, which are companies with annual audited accounts, resulting from the transfer of restructured loans. The securities classified as level 3 include units in restructuring funds in the amount of EUR 1,200.6 million (EUR 1,352.2 million as at 31 December 2015) as at 30 September 2016 which value resulted from the 'Net assets attributable to unit holders' ("NAV") quote determined by the management company (as at 30 September 2016 this VLGF was related to the financial position of the funds as at 30 June 2016) and in accordance with the audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV. Nevertheless it should be noted that a variation of +/- 10 % of the NAV has an impact of EUR 120.1 million as at 30 September 2016 (EUR 135.2 million as at 31 December 2015) on Equity. This impact includes the effect on fair value reserves of EUR 40.3 million (EUR 53 million as at 31 December 2015) and of EUR 79.8 million on Net income / (loss) for the period (EUR 82.2 million as at 31 December 2015).

The instruments classified as level 3 have associated net gains not performed in the amount of EUR 27.2 million as at 30 September 2016 (EUR 96.3 million as at 31 December 2015) recorded in fair value reserves. The amount of impairment associated with these securities amounts to EUR 445.6 million as at 30 September 2016 (EUR 282.5 million as at 31 December 2015) and no capital gains or losses were generated in the period.

The Bank has implemented risk management methods to mitigate and control these and other market risks to which it is exposed, including the use of derivatives to hedge certain products offered to its customers, and the Bank's risk exposure is continuously monitored. However, it is difficult to accurately predict changes in market conditions and to foresee the effects that these changes might have on the Bank's financial condition and results of operations. Any failure in risk management or control policies targeting market risk could have a negative impact on the Bank's business, financial condition, results of operations and prospects.

***The Bank is subject to compliance risk, which may lead to claims of non-compliance with regulations and lawsuits by public agencies, regulatory agencies and other parties.***

The Bank operates in a highly regulated industry. Therefore, it is subject to claims of non-compliance with regulations and lawsuits by public agencies, regulatory agencies and other parties.

Any inspections or other proceedings that are unfavourable to the Bank may result in sanctions, limitations on its business opportunities, or a reduction of its growth potential, and may have an adverse effect on the Bank's ability to comply with certain contractual obligations.

The Bank is subject to provisioning requirements, minimum cash level, credit qualification, record-keeping, privacy, liquidity, permitted investments, contingency, and other prudential and behavioural requirements which have associated costs; any increase or change in the criteria of these requirements could have an impact on the Bank's operations and results.

The Bank is also subject to rules and regulations related to the prevention of money laundering, bribery and terrorism financing. Compliance with anti-money laundering, anti-bribery and counter-terrorist financing rules entails significant cost and effort. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences. Although the Bank believes that its current anti-money laundering, anti-bribery and counter-terrorist financing policies and procedures are adequate to ensure compliance with applicable legislation, the Bank cannot guarantee that it will comply, at all times, with all applicable rules or that its regulations for fighting money laundering, bribery and terrorism financing as extended to the whole Group are applied by its employees under all circumstances.

## **RISK FACTORS**

The Bank is subject to competition regulations. In particular, the Bank is subject to laws prohibiting the abuse of a dominant market position and prohibiting agreements and/or concerted practices between business entities that aim to prevent, restrict or distort competition, or have the effect of preventing, restricting or distorting competition. In cases where the Bank is found to have infringed the relevant rules of Portuguese and/or EU competition law, the Bank is subject to the risk of fines of up to 10% of its consolidated annual turnover in addition to a public announcement of any sanctions issued. In addition to penalties imposed by the EC and/or the Portuguese Competition Authority, the Bank may be ordered by these entities or by national courts, as applicable, to discontinue certain practices, comply with behavioural or structural remedies, or pay damages to third parties that demonstrate that they have been harmed by the Bank's infringement of the competition rules, whether based on an earlier infringement decision by the relevant authority or independent of any such decision. The Bank may also be subject to similar consequences in other jurisdictions where it is active, as imposed by competition authorities or national courts of such jurisdictions. This can lead to material adverse effects on the Bank's business, financial condition, results of operations and prospects.

***The Bank is subject to certain operational risks, which may include interruptions in the services provided, errors, fraud attributable to third parties, omissions and delays in the provision of services and implementation of requirements for risk management.***

In its normal activity and as a result of its organisational structure, the Bank is subject to certain operational risks, including interruptions in the services provided, errors, fraud attributable to third parties, and omissions and delays in the provision of services and implementation of requirements for risk management. A majority of the Bank's operational losses in 2015 and the nine months ended 30 September 2016 were caused by frauds and execution failures and a large portion of the operational losses had low material significance, under EUR 100,000 (96% of all operational losses Group wide). In fact about 80% of the cases recorded in the nine months ended 30 September 2016 had a financial impact of less than EUR 5,000 each. The Bank continually monitors operational risks by means of, among other actions, advanced administrative and information systems and insurance coverage with respect to certain operational risks. However, it is not possible to guarantee that the monitoring and prevention of these risks will be fully effective. Any lack of success in the implementation of the Bank's risk management and control policies could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Bank faces technological risks, and a failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and breaches in data security.***

The operations developed by the Group, in Portugal and internationally, have an infrastructure of information systems that is externalised, but also common and integrated, promoting higher overall efficiency. The Bank's operations depend heavily on their respective computer processing capabilities, especially following the centralisation of the information systems. Computer processing capabilities include record-keeping, financial reporting and other systems, including systems for monitoring points of sale and internal accounting systems. In March 2013, the Bank renewed the outsourcing agreement with IBM, which includes the management of computer infrastructures—central system, department systems and server farm for systems—some specific areas of application development and IT support services to the Bank's organic units.

The strategy for outsourcing the Group's IT services includes the outsourcing of non-differentiating functions and without impact on the definition of commercial and business strategies. The agreement with IBM was signed for the first time in 2003. In 2013, after a new direct negotiation with IBM, some application development services were outsourced, grouping various contracts with smaller companies and enabling global management of these services. The agreements have been signed for a 10 year period, being renegotiated every two years, taking into consideration the impacts of technological evolution (consolidation, virtualisation and cloud computing) and of changes in demand and market prices.

Regarding the security of the information systems, the Bank has continued to pursue a strategy aligned with good international practices. However, it is not possible to guarantee to potential investors complete identification and timely correction of all problems related to the informational technology systems, or systematic success in the implementation of technological improvements. A failure in the Bank's information technology systems could result in, among other things, trading losses, losses in customer deposits and investments, accounting and financial reporting errors and

## **RISK FACTORS**

breaches in data security. The occurrence of any of the aforementioned events could have a significant and negative effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank is subject to the risk of changes in the relationship with its partners.***

Some of the Bank's activities are carried out in partnership with other entities that are not under the control of the Bank, including Millenniumbcp Ageas. Therefore, the Bank does not have the ability to control the decisions of these entities or ensure full compliance with the agreements that established such partnerships. Any decision or action by these entities and/or their breach of such agreements may have a material adverse effect on the Bank's reputation, business, financial condition, results of operations and prospects.

As part of a process aiming to refocus on core activities, defined as a priority in the Strategic Plan, the Bank agreed with the international insurance group Ageas to a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the insurance companies that operate exclusively in the non life insurance business, i.e. Ocidental-Companhia Portuguesa de Seguros, S.A. and in Médis—Companhia Portuguesa de Seguros de Saúde, S.A., subject to the required regulatory authorisation from the relevant authorities, for a base price of EUR 122.5 million, subject to a medium-term performance adjustment. The net income of Millennium bcp Ageas was EUR 27.5 million in the nine months ended 30 September 2016 (EUR 18.2 million attributable to the Bank). Ageas and the Bank also agreed that the joint venture would upstream excess capital totalling EUR 290 million to its shareholders, which was carried out in 2014 in accordance with the proportion of the stakes held by BCP and Ageas.

Following the sale, Millennium bcp continues, now in tandem with other banking and non banking distribution channels, to distribute non life insurance products from Ocidental-Companhia Portuguesa de Seguros, S.A. and Médis-Companhia Portuguesa de Seguros de Saúde, S.A.

In February 2009, the Bank carried out financial transactions relating to the strategic partnership agreements established with Sonangol (a company that held, as at 30 September 2016, 17.84% of the Bank's share capital and voting rights) and BPA (in which BMA held a shareholding of 6.66%), as a result of which the Bank reduced its stake in BMA to 52.7% through BMA's share capital increase of USD 105,752,496.80. In April 2012, the Bank reduced its stake in BMA to 50.1%, following BMA's share capital increase, which was fully subscribed to by Global Pactum—Gestão de Activos (main shareholder of BPA), in line with the partnership agreement entered into with Sonangol and BPA. Within the scope of this partnership, the Bank, Sonangol and BPA entered in May 2008 into a shareholders' agreement regarding BMA, which included, among others, clauses on corporate bodies and preferential rights in case of transfer of BMA's shares. On 8 October 2015, BMA and BPA announced their merger to create one of the largest privately-owned banks in the country. This merger was completed on 22 April 2016, resulting in the creation of a significant institution in Angola (Banco Millennium Atlântico) with a market share of 11% in terms of credit and of 9% in deposits (source: Banco Nacional de Angola). This operation generated a positive impact on the phased-in capital ratio of around 40 basis points. It is not possible to predict in advance the success of the merged bank, nor whether the current partnership will remain the same.

### ***Transactions in the Bank's own portfolio involve risks.***

The Bank carries out various proprietary treasury activities, including the placement of deposits denominated in Euro and other currencies in the interbank market, as well as trading in primary and secondary markets for government securities. The management of the Bank's own portfolio includes taking positions in fixed income and equity markets, both via spot market and through derivative products and other financial instruments. In spite of the Bank's limited level of involvement in these activities, trading on account of its own portfolio carries risks, since its results depend partly on market conditions. A reduction in the value of financial assets held due primarily to market conditions, or any other such conditions outside the control of the Bank, could require a corresponding loss recognition that may impact the Bank's balance sheet. Moreover, the Bank relies on a vast range of risk reporting and internal management tools in order to be able to report its exposure to such transactions correctly and in due time. Future results arising from trading on account of its own portfolio will depend partly on market conditions, and the Bank may incur significant losses resulting from adverse changes in the fair value of financial assets, which could have a material adverse effect on its business, financial condition, results of operations and prospects.



## **RISK FACTORS**

### ***Hedging operations carried out by the Bank may not be adequate to prevent losses.***

The Bank carries out hedging transactions to reduce its exposure to different types of risks associated with its business. Many of its hedging strategies are based on historical patterns of transactions and correlations. Consequently, unexpected market developments might negatively affect the Bank's hedging strategies.

Furthermore, the Bank does not hedge all of its risk exposure in all market environments or against all types of risks and in some cases a hedge may not be available to the Bank. Moreover, the way that gains or losses arising from certain ineffective hedges are recognised may result in additional volatility in its reported earnings. The Group employs derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk resulting from financing and investment activities. Hedging derivatives are recognised at their fair value and the profits and losses resulting from their valuation are recognised against the results. The Bank may still incur losses from changes in the fair value of derivatives and other financial instruments that qualify as fair value hedges. If any of its hedging instruments or strategies are inefficient, the Bank could incur losses which could have a material adverse effect on its business, financial condition, results of operations and prospects.

### ***The Bank faces exchange rate risk related to its international operations.***

All of the Bank's international operations are directly or indirectly exposed to exchange rate risk, which could adversely affect the Bank's results. Any devaluation of these currencies relative to the Euro could have a negative impact on the Bank's business, financial condition, results of operations and prospects.

As at 30 September 2016, the commercial gap in local currency observed in the main locations in which the Bank has operations, measured by the difference between on balance sheet customer funds and loans to customers, was the following: Bank Millennium in Poland: PLN 13.6 billion (EUR 3.1 billion, compared to PLN 12.1 billion and EUR 2.8 billion as at 31 December 2015) and Millennium bim in Mozambique: MZM 18.2 billion (EUR 208 million, compared to MZM 18.7 billion and EUR 0.4 million as at 31 December 2015). The Bank's loan portfolio also includes loans in foreign currency, where the losses are assumed by customers and recorded in the profit and loss account under impairment. The use of funding in foreign currency in some countries of Eastern Europe exposes some of the Bank's customers to exchange rate risk, affecting the financial condition of these entities and, consequently, the net income of the Bank. Although Bank Millennium stopped granting new foreign currency loans in Poland by the end of 2008, it still holds a considerable loan portfolio in foreign currency, mainly in Swiss francs (as at 30 September 2016, 37.3% of the total loan portfolio and 65% of the total mortgage loan book), and therefore the Bank's net income could be significantly affected by the need to undertake additional payments for impairment in the loan portfolio and by the high cost of zloty swaps. On 15 January 2015, the Swiss National Bank discontinued its minimum exchange rate which had been set at EUR/CHF 1.20 in September 2011. Simultaneously, the Swiss National Bank lowered the interest rate on sight deposit account balances that exceed a given exemption threshold by 0.5% to -0.75%. As a consequence, on the next day the Swiss franc appreciated 15% to around EUR/CHF 1.04 and the main index on the Swiss stock exchange went down around 8.7%. The EUR/CHF exchange rate is now free float. Net income may also be adversely affected if Poland does not join the Eurozone in the medium term as is currently expected. Similarly, net income may be affected if institutional investors pool their assets in established, rather than emerging, markets. This risk is exacerbated in the context of greater political instability related to reform of the European institutional framework, which has already had repercussions on the Swiss franc exchange rate.

The Polish President announced a proposal of a plan for CHF-denominated mortgage loans in August 2016, according to which banks must return the cost of excessive foreign exchange spreads they charged their clients, potentially equalling several billion zloty. If this proposal enters into force, it could have a material adverse effect on the Bank's, business, financial condition, results of operations and prospects. See "*The Bank faces exposure to macroeconomic risks in its businesses in Europe (Poland) and Africa (Angola and Mozambique)*".

### ***The Bank might be exposed to non-identified risks or to an unexpected level of risks, notwithstanding the risk management policy pursued by the Bank.***

The Bank is exposed to a series of risks, including, among others, credit risk, market risk, operational risk and liquidity risk. Although careful methodologies have been implemented for the management of each type of risk to which the

## RISK FACTORS

Bank is exposed, when faced with exceptionally adverse scenarios, the policies and procedures used by the Bank in the identification, monitoring and management of these risks might not prove to be totally effective. The Bank's risk management methods are based on a combination of human and technical controls and supervision, which are subject to errors and defects. Some of the Bank's methods of managing risks are based on internally developed controls and on historic data on market behaviour, also supported by common market practices. These methods might not adequately predict future losses, in particular when related to relevant market fluctuations, which could be considerably higher than those observed in other periods. These methods might also be ineffective in protecting against losses caused by technical errors, if the implemented testing and control systems are not effective in the prevention of software and hardware technical defects. Any errors or failures in the implementation of such risk management systems, as well as their possible inability to identify all the risks or risk levels to which the Bank is exposed, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Non-Core Business Portfolio may generate additional impairment requirements.***

In the scope of the Restructuring Plan, the Bank identified business portfolios in Portugal that it is expected to gradually divest/discontinue, not promoting new credit production. These portfolios are related to credit granted to customers, comprising loans to securities acquisition, highly leveraged secured lending in which LTV is not lower than 90%, the subsidised mortgages segment and credit related to construction that is almost exclusively focused on the Portuguese market, football clubs and real estate development. The Bank has since implemented changes to its organisational structure with a view to managing this segment in a segregated way, and has developed and adopted the applicable internal rules framework and management practices specific to the Non-Core Business Portfolio.

As at 30 September 2016, such portfolios totalled EUR 9.8 billion of Exposure at Default ("EAD"), compared to EUR 10.8 billion as at 31 December 2015, and the Bank has committed to the goal of progressive reduction of these exposures. Their total should not exceed EUR 12 billion as at 31 December 2017. Notwithstanding the divestment of this loan portfolio which takes primarily into consideration the optimisation of the impact on capital through minimisation of the expected loss, the Bank may have to register additional impairments related to the devaluation of the respective collaterals and to the increase of default.

Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

### ***The Bank may not be able to generate income to recover deferred taxes. Potential dilution of the shareholders' position may result from the potential conversion into capital of the special reserve foreseen by the law, in particular in the case of negative net individual results. Changes in the law or a different interpretation (or if the operations foreseen by the Bank do not take place) may have an adverse impact on the capital ratio.***

The Bank's deferred tax assets ("DTAs") (on a consolidated basis) as at 30 September 2016 corresponded to EUR 2,791 million, compared to EUR 2,562 million as at 31 December 2015, and were generated by tax losses and temporary differences. The most notable sources of the Bank's DTAs non dependent on future profitability are impairment losses amounting to EUR 899 million and related employee benefits amounting to EUR 789 million.

Deferred taxes are calculated on the basis of the tax rates which are expected to be applicable at the time of the reversal of the temporary differences, which correspond to the approved or substantially approved rates at the time of the balance sheet. Assets and liabilities for deferred taxes are presented for their net value when, pursuant to the applicable laws, current taxes assets may be compensated with current taxes liabilities and when the deferred taxes relate to the same tax.

If the Bank is not able to generate enough taxable income to enable the absorption of the temporary differences deductible for tax purposes, the deferred taxes may not be recovered. Additionally, the Bank may be forced to alter its evaluation as a result of corrections to the taxable income or to tax losses that it may be subject to.

Supported by the projection of taxable income for the years 2016 to 2028, the recoverability of DTAs related to the individual activity of the Bank was revalued as at 30 September 2016.

## RISK FACTORS

The expected generation of future taxable income in the individual activity of the Bank is supported primarily by the positive developments of:

- (i) the financial margin, reflecting the positive impact of the reimbursement of GSIs, the sustained decline in the cost of term deposits from customers and the prospective evolution of Euribor;
- (ii) the reduction in operating costs, as a consequence of decreases in numbers of employees and branches;
- (iii) loans impairment charges.

In addition, the Bank considered the following assumptions in the analysis of the recoverability of DTAs and their composition with respect to the deferred tax assets covered by Law 61/2014, of 26 August, as at 30 September 2016:

- that the limits provided in Notice No. 3/95 of Banco de Portugal for the purposes of tax deductibility of credit impairment recorded in 2016 will be maintained, including the effect of the transition of the Bank's individual accounts from the adjusted accounting standards to international accounting standards as adopted by the EU;
- the conclusion in 2016 of an additional step in the reorganisation of the Group's holdings, which will include a set of transactions in financial holdings (including, among others, the liquidation of Bitalpart) and other assets held, which will result in the deductibility of tax losses already recognised in the accounts; and
- the payment of dividends by subsidiaries in 2016, which will allow for their deductibility for tax purposes.

According to the estimate of the Bank's taxable income for 2016, including the effect of the completion of the above mentioned measures, the Bank foresees the maintenance at the end of the exercise of the DTAs covered by the regime approved by Law 61/2014, of 26 August, which are registered on 30 September 2016.

Law 61/2014, of 26 August 2014, approved an optional framework, with the possibility of subsequent waiver, according to which, upon certain events (including annual net losses on the solo financial statements, as well as liquidation as a result of voluntary dissolution, insolvency decided by the court or withdrawal of the respective licence), the DTAs that have resulted from the non deduction of expenses and of reductions in asset values resulting from impairment losses in credits and from post employment benefits or long term employments, will be converted into tax credits. In this case, a special reserve corresponding to 110% of their amount must be created, which is intended to be incorporated into the share capital and a right to demand the issue of shares by the Bank in an amount equivalent to such special reserve is granted to the Portuguese Republic ("**State Rights**"), such right being acquirable by the shareholders through payment to the State of the same amount. The tax credits can be offset against tax debts of the beneficiaries (or of an entity with head office in Portugal within the same prudential consolidation perimeter) or reimbursed by the Portuguese Republic. Due to this framework, the recovery of the DTAs covered by Law 61/2014's optional framework is not dependent on future profitability.

Law 23/2016, of 19 August, limited the scope of the regime, determining that tax assets originated in expenses or negative asset variations accounted for after 1 January 2016 are not eligible for the optional framework. The framework set out in Law 61/2014, as amended by Law 23/2016, was further developed by (a) Ministerial Order (*Portaria*) 259/2016, of 4 October 2016, on the control and use of the tax credit and (b) Ministerial Order (*Portaria*) 293-A/2016, of 18 November 2016, concerning the conditions and proceedings for the acquisition by shareholders of the referred State Rights. Pursuant to this legislation, among other aspects, such rights are subject to an acquisition right by the shareholders on the date of creation of the State Rights exercisable on periods to be established by the Board of Directors up to 10 years from the date of their creation, and the issuing bank has to deposit in the name of the State the amount of the price corresponding to all the rights issued, within three months from the date of their creation, ahead and independently of their acquisition. Such deposit is redeemed when and to the extent that the State Rights are acquired by shareholders or are exercised by the State.

On 18 November 2016, the governmental decree (*Decreto Regulamentar*) 5/2016, concerning the maximum amounts of impairment losses and other value corrections for a specific credit risk deductible for purposes of assessment of taxable income in corporate income tax, was published. Among other aspects, the governmental decree provides that, regarding

## RISK FACTORS

the provisions for impairments registered under Banco de Portugal Notice 3/95 and subject to annulment or reduction under Banco de Portugal Notice 5/2015, when calculating their taxable income regarding tax year 2016, taxpayers may choose to consider the positive difference (assessed as at 1 January 2016) between the amount of provisions for losses for credit impairments (constituted under Banco de Portugal Notice 3/95) and the impairments constituted as of 1 January 2016 relating to the same credits in accordance with the applicable accounting provisions, only for the part that remains unused and exceeds the tax losses computed in tax periods initiated on or after 1 January 2012 still available for deduction. The amount which is not considered for the calculation of taxable income under this framework shall be deducted from the balance of the tax losses mentioned above.

The Bank may choose to either adopt or disregard this regime at the Bank's sole discretion. The Bank is analysing the impacts of the adoption of this regime.

As disclosed in due course, pursuant to the general meeting held on 15 October 2014, the Bank adopted the optional framework approved by Law 61/2014 of 26 August 2014, described above. The CET 1 ratio, fully implemented as at 30 September 2016, corresponds to 9.5% and already incorporates the effects of the application of the new framework which became effective on 1 January 2015.

The Bank's net result (on an individual basis) as at 30 September 2016 was negative EUR 295.41 million; there is no guarantee that the net result in the end of 2016 will be positive.

Certain steps have, in the interim, taken place in the Group's organisation, as part of certain intra-Group transactions, which may contribute to partially or totally offsetting the loss booked as at 30 September 2016 in the Bank's individual financial statements.

If the Bank registers a net loss as at 31 December 2016, on an individual basis, then, under the provisions of Law 61/2014, of 26 August 2014, as amended, the Portuguese Republic will be granted State Rights, exercisable after the period, of up to 10 years, during which shareholders will have the opportunity to acquire such conversion rights from the State. If shares are finally issued pursuant to the exercise of such conversion rights, this would dilute the remaining shareholders of the Bank.

Among other factors that may affect the recoverability of the deferred tax assets and their composition regarding the deferred tax assets that fall within the scope of Law No. 61/2014, of 26 August 2014, the interpretation of the tax law is relevant, as well as the performance of several operations in 2016. In this context, the Bank considered that the thresholds provided for in Banco de Portugal Notice 3/95 for purposes of tax deductibility of credit impairments occurred in 2016, including the effects of the transition in the individual accounts of the Bank from the adjusted accounting rules to the international accounting rules, as adopted by the EU, will be maintained. Regulatory Decree No. 5/2016, of 18 November 2016, which came into force the following day, confirmed that assumption. The Bank also considered that it expects to have a tax loss in 2016, also due to the impact at this level of reorganisation operations which will be performed in this financial year relating to holdings and other financial assets held, which impairment is already recognised in the accounts, and to the receipt of dividends from subsidiaries. In the 2015 and 2016 financial years, the Bank registered deferred tax assets regarding expenses and negative asset variations with post employment or long term employment benefits and credit impairment losses accounted for up to 31 December 2014, which assets the Bank deems eligible for the purposes of the framework approved by Law 61/2014, of 26 August. A change in law, a different interpretation of the law or the non performance of the abovementioned operations could have an adverse impact on the Bank's capital ratio.

Any of the aforementioned could result in a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

***The Bank is subject to the risk of internal and external fraud, crime, cybercrime, or other types of misconduct by employees or third parties which could have a material adverse effect on the Bank.***

The Bank is subject to the risk of fraud, crime, money laundering, cybercrime and other types of misconduct by employees and third parties, as well as to unauthorised transactions by employees, third party service providers and

## **RISK FACTORS**

external staff, including "rogue trading". This type of risk could result in breaches of law, rules, regulations and internal policies, losses, claims, fines, regulatory action, legal proceedings or reputational damage.

In the area of payments, over the past years the Bank and especially the Bank's clients have been subject to cybercrime and fraud in the form of phishing and malware. European law tends to hold the Bank liable unless it provides proof of intentional misconduct or gross negligence by the client. Other forms of theft include violent robberies of ATMs, in which criminals use combustible gas, explosives or vehicles and heavy equipment to gain access to cash stored in ATMs.

The Bank may be subject to disruptions of its operating or information systems, arising from criminal acts by individuals and groups via cyberspace, which may interrupt the service to clients.

The Bank remains potentially exposed to the risk that the procedures implemented and the measures adopted with respect to the storage and processing of personal data relating to its customers may prove to be inadequate and/or not in compliance with the laws and regulations in force from time to time and/or may not be promptly or properly implemented by employees and associates. Thus, the data could be subject to damage, loss, theft, disclosure or processing for purposes other than those authorised by the customers, or even use by unauthorised parties (whether third parties or employees of companies of the Bank). If any of these circumstances occur there could be a material adverse effect on the Bank's business, including its reputation, financial condition, results of operation or prospects.

Failure of the Bank's information technology systems could lead to a breach of regulations and (contractual) obligations and have a material adverse effect on the Bank's reputation, results of operations, financial condition and prospects. The continuous efforts of individuals and groups, including organised crime, via cyberspace to commit fraud through electronic channels or to gain access to information technology systems used by the Bank (including with respect to clients' and Bank information held on those systems and transactions processed through these systems) are a growing threat to the Bank. The manifestations of risks to technology—including cyber security—change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential attacks via cyberspace, it is possible that future attacks may lead to significant breaches of security and loss of (personal) data. In addition, the Group may as a result not be able to access data or operate its systems, it may not be able to recover data, or establishing that data is not compromised may be very time consuming and costly.

There is a risk that cyber-security risk is not adequately managed or, even if adequately managed, a cyber-attack can take place and be successful, which could lead to breach of regulations, investigations and administrative enforcement by supervisory authorities and claims that may materially and adversely affect the Bank's business, reputation, results of operations, financial condition, prospects and its position in legal proceedings.

### **2. Risks relating to the structure of particular Notes**

*There are particular risks associated with an investment in certain types of Notes, such as Index Linked Notes and an investor may lose some or all of the principal amount invested by it.*

#### ***Investors may lose the original invested amount.***

Investors may lose up to the entire value of their investment in the Notes, or part of it, as the case may be, as a result of the occurrence of any one or more of the following events:

- (a) the Issuer of the Notes is subject to insolvency proceedings or some other event impairing its ability to meet its obligations under the Notes;
- (b) the terms of the relevant Notes do not provide for full repayment of the initial purchase price upon final maturity and/or mandatory early redemption of such Notes and the relevant Reference Item(s) perform in such a manner that the final redemption amount and/or mandatory early redemption amount is less than the initial purchase price;

## **RISK FACTORS**

- (c) the purchaser seeks to sell the relevant Notes prior to their scheduled maturity, and the sale price of the Notes in the secondary market is less than the purchaser's initial investment; and
- (d) the Notes are subject to certain adjustments in accordance with the terms and conditions of such Notes that may result in the scheduled amount to be paid or asset(s) to be delivered upon redemption being reduced to or being valued at an amount less than a purchaser's initial investment.

Notwithstanding that the relevant Notes may be linked to the performance of one or more Reference Items, investors in such Notes do not have and shall not receive any rights in respect of any Reference Item and shall have no right to call for any Reference Item to be delivered to them (unless otherwise provided in the Issue Terms). The Issuer of the Notes shall not be required to hold any Reference Item.

***The relevant market value of the Notes at any time is dependent on other matters in addition to the credit risk of the Issuer and the performance of the relevant Reference Item(s).***

The market value of the Notes at any time will be affected by a number of factors independent of the creditworthiness of the Issuer and the performance of the relevant Reference Item(s), including:

- (a) market interest and yield rates;
- (b) the time remaining to any Redemption Date or the Maturity Date;
- (c) where the Reference Item(s) is/are equity securities, the dividend rate on Reference Item(s) and the financial results and prospects of the issuer of each Reference Item; and
- (d) numerous other economic, political and other factors.

The amount payable and/or deliverable in respect of Notes at any time prior to redemption is typically expected to be less than the trading price of such Notes at that time. The difference between the trading price and such amount will reflect, among other things, a "time value" for the Notes. The "time value" of the Notes will depend partly upon the length of the period remaining to final redemption and expectations concerning the value of the relevant Reference Item(s).

### ***Market Disruption Events or Failure to Open of an Exchange.***

If an issue of Reference Item Linked Notes includes provisions dealing with the occurrence of a Market Disruption Event or failure to open of an exchange on the Strike Date, a Valuation Date, Observation Date or an Averaging Date and the Calculation Agent determines that a Market Disruption Event or failure to open of an exchange has occurred or exists on such date, any consequential postponement of the Strike Date, Valuation Date, Observation Date or Averaging Date or any alternative provisions for valuation provided in any such Notes may have an adverse effect on the value and liquidity of such Notes. The timing of such dates (as scheduled or as so postponed or adjusted) may affect the value of the relevant Notes such that the Noteholder may receive a lower cash redemption amount and/or interest amount or other payment under the relevant Notes than otherwise would have been the case. The occurrence of such a Market Disruption Event or failure to open of an exchange in relation to any Reference Item comprising a basket may also have such an adverse effect on Notes related to such basket. In addition, any such consequential postponement may result in the postponement of the date of redemption of the Notes.

### ***Notes where denominations involve integral multiples.***

In relation to any issue of Notes (other than Book Entry Notes) which have denominations consisting of a minimum Specified Denomination (as set out in the relevant Issue Terms) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time (i) may not be able to transfer such Notes (other than Book Entry Notes) and (ii) may not receive a definitive Note in

## RISK FACTORS

respect of such holding (should definitive Notes be printed) and in each case would need to purchase a nominal amount of Notes (other than Book Entry Notes) such that its holding amounts to an integral multiple of the minimum Specified Denomination.

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

### ***Risks related to withholding tax on Book Entry Notes.***

Under Portuguese law, income derived from the Book Entry Notes integrated in and held through a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Interbolsa), by other European Union or European Economic Area entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems held by non-resident investors (both individual and corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law No. 193/2005, of 7 November 2005, as amended, ("**the special regime approved by Decree-Law No. 193/2005**") may benefit from withholding tax exemption, provided that certain procedures and certification requirements are complied with.

Failure to comply with procedures, declarations, certifications or others will result in the application of the relevant Portuguese domestic withholding tax to the payments without giving rise to an obligation to gross up by the Bank.

It should also be noted that, if interest and other income derived from the Notes is paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities (e.g. typically "jumbo" accounts) such income will be subject to withholding tax in Portugal at a rate of 35% unless the beneficial owner of the income is disclosed. Failure by the investors to comply with this disclosure obligation will result in the application of the said Portuguese withholding tax at a rate of 35% and the Bank will not be required to gross up payments in respect of any withheld accounts in accordance with General Condition 6.

Further, interest and other types of investment income obtained by non-resident holders (individuals or legal persons) without a Portuguese permanent establishment to which the income is attributable that are domiciled in a country, territory or region included in the "tax havens" list approved by Ministerial Order No. 150/2004 of 13 February 2004, as amended from time to time (hereafter "**Ministerial Order No. 150/2004**"), is subject to withholding tax at 35%, which is the final tax on that income, unless the special regime approved by Decree-Law No. 193/2005 applies and the beneficial owners are central banks and government agencies, international organisations recognised by the Portuguese state, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force.

The Bank will not be required to gross up payments in respect of any of such non-resident holders, in accordance with General Condition 6.

See details of the Portuguese taxation regime in "*Taxation — Portuguese Taxation*".

### ***Physically Settled Notes.***

In the case of Notes which are redeemable by delivery of assets (other than Credit Linked Notes), if a Settlement Disruption Event occurs or exists on the due date for redemption of the Notes, settlement will be postponed until the next Settlement Business Day in respect of which there is no Settlement Disruption Event. The Issuer in these circumstances also has the right to pay the Disruption Cash Redemption Amount in lieu of delivering the Entitlement (as defined in the Terms and Conditions).

If a Failure to Deliver due to Illiquidity occurs, the Issuer has the right, in lieu of delivery of the assets affected by such event, to pay the Failure to Deliver Redemption Amount to the Noteholders. The Disruption Cash Redemption Amount and/or the Failure to Deliver Redemption Amount may be less than the fair market value of the Entitlement.

## **RISK FACTORS**

### ***Notes to which Variation of Settlement applies.***

If Variation of Settlement applies, the Issuer has the right to elect to deliver Relevant Assets in lieu of the Final Redemption Amount. Noteholders should be aware that in this regard they are exposed to the credit risk and performance of the Relevant Assets as to the extent that the value of such Relevant Assets falls below the value of the Final Redemption Amount, the Issuer is financially incentivised to exercise its option to deliver the Relevant Assets to the Noteholders. If the Relevant Assets are bonds, Noteholders should also take note of the fact that if such bond redeems prior to the Maturity Date for any reason, and the Issuer elects to vary settlement, the Issuer may deliver the redemption proceeds of such bond, which might be substantially less than the nominal amount of the bond.

### ***Noteholders may be required to pay certain expenses in relation to Notes subject to Physical Delivery.***

Holders of Notes subject to Physical Delivery must pay all Expenses relating to delivery of such Notes. As defined in the terms and conditions, "Expenses" includes 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 Entitlement.

### ***There are certain requirements to be fulfilled and payments to be made by the Holder in order to receive Entitlement(s) in respect of Notes subject to Physical Delivery and the Issuer may decide to settle by way of cash payment instead in certain circumstances.***

In order to receive the Entitlement in respect of a Note settled by way of Physical Delivery, the holder of such Note must deliver or send to the relevant Clearing System or Principal Paying Agent (as applicable) a duly completed Asset Transfer Notice on or prior to the relevant time on the Cut-off Date and pay the relevant Expenses. If a Noteholder fails to deliver as required the certification of non-U.S. beneficial ownership or certification that it is an eligible investor for U.S. securities law purposes, the Issuer may deliver what the Calculation Agent determines to be the fair market value of the Entitlement instead of the relevant assets.

### ***Certain considerations relating to public offers of the Notes.***

If the Notes are distributed by means of a public offer, under certain circumstances indicated in the Issue Terms, the Issuer and/or the other entities indicated in the Issue Terms will have the right to withdraw or revoke the offer and the offer will be deemed to be null and void according to the terms indicated in the Issue Terms.

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

Some information regarding the Notes (e.g. interest rate, settlement date), the offer and/or the listing may be determined after the publication of the Issue Terms and will be made public in accordance with the procedures set out in the Issue Terms.

### ***The Notes are unsecured and therefore subject to the resolution regime.***

The Notes are unsecured and therefore subject to the resolution regime, including the bail-in tool (see further "*Description of the Business of the Group - The Portuguese Banking System*"). The impact on investors, in a resolution scenario, depends crucially on the ranking of the liability in the resolution creditor hierarchy. In the event of resolution, *inter alia*: (i) the outstanding amount of the Notes may be reduced to zero or the Notes may be converted into ordinary shares of BCP or other instruments of ownership; (ii) a transfer of assets (e.g. to a bridge bank) or in a sale of business may limit the capacity of the Bank to meet its repayment obligations; and (iii) the maturity of any Notes or the interest rate under such Notes can be altered and the payments may be suspended for a certain period. When a resolution measure is applied no shareholder or creditor of the institution (including the Noteholders) subject to resolution may have losses greater than it would have if the institution had entered into liquidation. Noteholders may have a right to compensation if the treatment they receive in resolution is less favourable than the treatment they would have received



## RISK FACTORS

under normal liquidation proceedings. This assessment must be based on an independent valuation of the firm. Completion of this assessment, as well as payment of any potential consideration, may occur considerably later than contractual payment dates.

*If an investor holds Notes which are not denominated in the investor's home currency, that investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.*

The Issuer will pay principal and interest on the Notes in the Specified Notes Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Notes Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Notes Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Notes Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

### *Certain Considerations Associated with Notes Linked to Emerging Markets.*

The Issuer may issue Notes where the amount payable on redemption or the interest payable is linked to Reference Items which consist of (i) securities, funds or indices comprising securities of issuers that are located in, or subject to regulation in, emerging or developing countries, or (ii) securities which are denominated in the currency of, or are traded in, emerging or developing countries or (iii) currencies of emerging or developing countries. Prospective investors should note that additional risks may be associated with investment in such Notes, including risks associated with political and economic uncertainty, adverse governmental policies, restrictions on foreign investment and currency convertibility, currency exchange rate fluctuations, possible lower levels of disclosure and regulation, and uncertainties as to the status, interpretation and application of laws including, but not limited to, those relating to expropriation, nationalisation and confiscation. Notes traded in emerging or developing countries tend to be less liquid and the prices of such securities more volatile. In addition, settlement of trades in some such markets may be slower and more subject to failure than in markets in developed countries.

Prospective purchasers of such Notes should also be aware that the probability of the occurrence of a disruption event and consequently loss of investment or profit by an investor may be higher for certain developing or emerging markets. Prospective purchasers are expected to conduct their own enquiries and be satisfied that there are additional risks associated with investments linked to the performance of underlying assets located in these markets.

### *Emerging market currencies.*

Where the Notes are denominated in an emerging market currency or linked to one or more emerging market currencies, amounts determined to be due or deliverable in respect of such Notes may be significantly more volatile and subject to less certainty as to future rates than if the Notes were linked to currencies of more developed markets, for example emerging markets' currencies are highly exposed to the risk of a currency crisis happening in the future.

In particular, policies or actions of any relevant governments of the jurisdictions of such emerging market currencies to which the Notes may be linked (the "**Currency Jurisdictions**") could adversely affect the relevant exchange rate(s) (such as through market interventions of their central banks or equivalent bodies; governmental action which changes or interferes with currency valuations or currency fluctuations that would otherwise occur in response to economic forces; and restrictions on foreign investment and currency convertibility or movement across borders). Non-governmental action may also directly or indirectly adversely affect the relevant exchange rates (such as through weak overall growth and performance of each applicable Currency Jurisdiction's economy and stock exchanges; political, economic and

## **RISK FACTORS**

social uncertainty, including risks of nationalisation and expropriation of assets and natural disasters; or wars which affect any Currency Jurisdiction directly or indirectly).

Investors should note that the risk of occurrence and the severity of consequence of the matters described above may be greater with respect to any emerging market jurisdiction than they otherwise would be in relation to more developed countries. Economies in emerging markets are generally more heavily dependent upon international trade, and accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated with countries with which they trade.

The occurrence of any of the above circumstances may have an adverse effect on the value of the Notes and amounts due (if any) or assets deliverable (if any), or the date for payment thereunder.

### ***Notes may be denominated in one currency and settled in another currency.***

If the Issue Terms specify that the Settlement Exchange Rate Provisions are applicable, then such Notes are denominated in one currency but all or certain amounts due thereunder, as the case may be, if any, are settled in another currency (the "**Settlement Currency**"). As such, the applicable amounts are converted by converting such amounts by reference to the applicable Settlement Exchange Rate specified in the applicable Issue Terms or, if not so specified, determined by the Calculation Agent in accordance with the terms and conditions of the Notes.

Investors should understand that such Notes are not principal protected in the settlement currency or Settlement Exchange Rate base currency even if the Notes are principal protected in the denomination currency or Settlement Exchange Rate subject currency. If the denomination currency depreciates against the Settlement Currency, this will reduce the Settlement Currency amounts received (if any) under the Notes and an investor may receive less than their initial investment in the Notes.

Investors should understand, where a fixed Settlement Exchange Rate is not specified in the Issue Terms, that the Issuer does not have control over the Settlement Exchange Rate and will not make any adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the settlement currency, the denomination currency or any foreign currency. Investors will bear those risks. In addition, if an Unscheduled Holiday or a Price Source Disruption occurs in respect of the applicable Settlement Exchange Rate, the applicable disruption fallbacks may provide that the scheduled settlement exchange rate valuation date for such rate will be postponed, then this may result in deferral of the corresponding payment date under the Notes. If a date for payment is so postponed, this could adversely affect an investor's investment schedule, timetable or plans as they will receive amounts in respect of the Notes later than the originally scheduled date for payment. No interest will accrue or other amount will be payable by the Issuer in the event of any such delay.

### ***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

### ***Risk of leveraged exposure.***

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

## **RISK FACTORS**

### ***Conducting hedging transactions.***

The Issuer may use all or some of the proceeds received from the sale of Notes to enter into hedging transactions. The Issuer believes that such hedging activity will under normal circumstances not have a material impact on the value of the relevant Notes. However, it cannot be assured that the Issuer's hedging activities will not affect such value. The value of Notes might in particular be affected by the liquidation of all or a portion of the relevant hedging positions (a) at or about the time of the maturity or expiration of such Notes or (b), if such Notes provide for a knock-out, knock-in or a similar feature, at the time when the price or value of the relevant underlying approaches the relevant price or level for the knock-out, knock-in or other feature.

### ***U.S. Foreign Account Tax Compliance Act.***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or "**FATCA**") impose a new reporting regime and, potentially, a 30% withholding tax with respect to (a) certain payments from sources within the United States, (b) "**foreign passthru payments**" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (c) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Notes are in book entry form and held through Interbolsa or in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs or Interbolsa (see "*Taxation - United States Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, Interbolsa or the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through Interbolsa or the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

### ***U.S. Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes.***

The U.S. Hiring Incentives to Restore Employment Act imposes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met. If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation - U.S. Hiring Incentives to Restore Employment Act*".

### ***Administrative co-operation in the field of taxation***

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**Savings Directive**"), EU Member States are required to provide to the tax authorities of other EU Member States details of payments of interest (or income deemed equivalent for these purposes) paid by a person within its jurisdiction to an individual resident in that other EU Member State. In this respect it should be noted that the Savings Directive, as amended by Council Directive 2014/48/EU, of 24 March 2014, was repealed by Council Directive 2015/2060, of 10 November 2015. The aim was the adoption of a single and more comprehensive co-operation system in the field of taxation in the European Union under Council Directive 2011/16/EU, of 15 February 2011. Notwithstanding the repeal

## RISK FACTORS

of the Savings Directive as of 1 January 2016, certain provisions will continue to apply in Portugal for a transitional period.

The new regime under Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, of 9 December 2014, introduced the automatic exchange of information in the field of taxation concerning bank accounts and is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. This regime is generally broader in scope than the Savings Directive.

Under Council Directive 2014/107/EU, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including depository and custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Council Directive. The information refers not only to personal information such as name, address, state of residence, tax identification number and date and place of birth, but also to the account balance at the end of the calendar year, and (a) in case of depository accounts, the total gross amount of interest paid or credited to the account during the calendar year; or, (b) in the case of custodial accounts, the total gross amount of interest, dividends and any other income generated, as well as the proceeds from the sale or redemption of the financial assets paid or credited in the account during the calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

Portugal has implemented Directive 2011/16/EU through Decree-Law No. 61/2013, of 10 May 2013. Also, Council Directive 2014/107/EU was implemented through Decree-Law No. 64/2016 of 11 October 2016.

### 3. Generic Risk Factors that are associated with Notes that are linked to Reference Item(s)

#### *Risks relating to Reference Item Linked Notes.*

Reference Item Linked Notes are securities which do not provide for predetermined redemption amounts and/or interest payments, but amounts payable (whether in respect of principal and/or interest) or deliverable will be dependent upon the performance of the Reference Item, or a combination of Reference Items, which themselves may contain substantial credit, interest rate, foreign exchange, correlation, time value, political and/or other risks.

An investment in Reference Item Linked Notes therefore entails significant risks that are not associated with similar investments in a conventional fixed or floating rate debt security. These risks include, among other things, the possibility that:

- (a) the Reference Item may be subject to significant changes, whether due to the composition of any such Reference Item itself, or because of fluctuations in value of the Reference Item;
- (b) the resulting interest rate will be less (or may be more) than that payable on a conventional debt security issued by the Issuer at the same time or they may receive no interest;
- (c) the holder of a Reference Item Linked Note could lose all or a substantial portion of the principal of such Note (whether payable at maturity or upon redemption or repayment), and, if the principal is lost, interest may cease to be payable on such Note;
- (d) any Note that is linked to more than one type of Reference Item, or on a formula that encompass the risks associated with more than one type of Reference Item, may carry levels of risk that are greater than those for Notes that are indexed to one type of Reference Item only;
- (e) it may not be possible for investors to hedge their exposure to these various risks relating to Reference Item Linked Notes; and
- (f) a significant market disruption could mean that any Reference Item ceases to exist.

## **RISK FACTORS**

The risks reflect the nature of such a Note as an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it expires or is redeemed. The risk of the loss of some or all of the purchase price of a Reference Item Linked Note upon redemption means that, in order to recover and realise a return upon his or her investment, a purchaser of such Note must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item.

***It may not be possible to use the Notes as a perfect hedge against the market risk associated with investing in a Reference Item.***

Potential purchasers intending to purchase Notes to hedge against the market risk associated with investing in a Reference Item should recognise the complexities of utilising Notes in this manner. For example, the value of the Notes may not exactly match the value of the Reference Item. Due to fluctuating supply and demand for the Notes, there is no assurance that their value will match movements in the value of the Reference Item. For these reasons, among others, it may not be possible to purchase or liquidate Notes in a portfolio at the prices used to calculate the value of any Reference Item.

***There may be regulatory consequences for a Holder of Reference Item Linked Notes.***

There may be regulatory and other consequences associated with the ownership by certain investors of certain Reference Item Linked Notes. Each purchaser of Notes must conduct its own investigation into its regulatory position with respect to the potential purchase of Notes, and none of the Issuer, the Dealer or the Arranger assumes any obligation or liability whatsoever to such purchaser in such regard.

***There are specific risks with regard to Notes linked to a combination of Reference Items.***

An investment in Notes that are linked to a combination of Reference Items will entail significant risks not associated with an investment in a conventional debt security. A combination of the risks associated to the Reference Items may be significantly higher than the risks of each Reference Item considered on its own. On redemption of these type of Notes, the Noteholders will receive an amount (if any) or Entitlement (if any) determined by reference to the value of a combination of a number of different Reference Items. These Notes may pay interest calculated by reference to the value of the combination of a number of Reference Items.

***No rights of ownership in the Reference Item(s).***

Purchasers of Notes should be aware that the Issuer is under no obligation to hold a position in any Reference Item(s) and should note that the relevant Reference Item(s) that may be held by the Issuer will not be held by the Issuer for the benefit of the purchasers of such Notes and, as such, Noteholders will not obtain any rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any Reference Item referenced by such Notes. For the avoidance of doubt, no affiliate of the Issuer is under any obligation whatsoever to acquire and/or hold any Reference Item.

***The past performance of a Reference Item is not indicative of future performance.***

Any information about the past performance of the Reference Item at the time of the issuance of the Notes should not be regarded as indicative of the range of, or trends in, fluctuations in the Reference Item that may occur in the future.

### **4. Risk Factors associated with Notes that are linked to one or more specific types of Reference Items**

There are certain factors which are material for the purpose of assessing the risks associated with an investment in Notes issued under the Programme. Such factors will vary depending on the type of Notes issued, in particular in relation to Notes in respect of which the interest and/or redemption amount is linked to the value of one or more index, share, inflation index, unit, interest or share in a fund, the credit of one or more reference entity, foreign exchange rate or the combination of any of the foregoing.

## RISK FACTORS

### *Risks relating to Index Linked Notes.*

The Issuer may issue Notes where the Final Redemption Amount or the amount of principal and/or interest payable is dependent upon the level of an index or indices ("**Index Linked Notes**").

Potential investors in any such Notes should be aware that depending on the terms of the Index Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment if the value of the index/indices does not move in the anticipated direction. In addition, movements in the level of the index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the level of an index or result of a formula, the greater the effect on yield.

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

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the level of the index or indices. The level of the index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the index or indices may be traded. The index may reference equities, bonds or other securities, or it may be a property index referencing certain property price data which will be subject to market price fluctuations. A property index may include valuations only and not actual transactions and the property data sources used to compile the index may be subject to change, which may adversely affect the return on the Notes.

### *Adjustment to indices for Index Linked Notes*

If an index adjustment event (as described in "*Additional Terms and Conditions for Index Linked Notes*") occurs the Issuer may require the Calculation Agent to make such adjustments as it determines appropriate to the terms of the Notes or redeem the Notes. Such action may have an adverse effect on the value and liquidity of the affected Reference Item Linked Notes.

### *Returns on the Notes do not reflect direct investment in underlying shares or other assets comprising the index*

The return payable on Notes that reference indices may not reflect the return a purchaser would realise if the Noteholder actually owned the relevant assets comprising the components of the index. For example, if the components of the indices are shares, Noteholders will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant index takes such dividends into account for purposes of calculating the relevant level. Similarly, Noteholders will not have any voting rights in the underlying shares or any other assets which may comprise the components of the relevant index. Accordingly, purchasers in Notes that reference indices as Reference Item may receive a lower payment upon redemption of such Notes than such purchaser would have received if the Noteholder had invested in the components of the index directly.

### *A change in the composition or discontinuance of an index could adversely affect the market value of the Notes*

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

## RISK FACTORS

### *Risks relating to Equity Linked Notes.*

The Issuer may issue Equity Linked Notes where the amount of principal and/or interest payable are dependent upon the price of or changes in the price of shares or a basket of shares (or depositary receipts) or, depending on the price of or change in the price of shares or the basket of shares (or depositary receipts), where the Issuer's obligation on redemption is to deliver a specified number of shares ("**Equity Linked Notes**"). Accordingly an investment in Equity Linked Notes may bear similar market risks to a direct equity investment and potential investors should take advice accordingly.

Potential investors in any such Notes should be aware that depending on the terms of the Equity Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified shares and/or depositary receipts may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment if the value of the share(s) and/or depositary receipt(s) does not move in the anticipated direction. In addition, the movements in the price of the share or depositary receipt or basket of shares and/or depositary receipts may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the share or shares may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price of the share(s) and/or depositary receipt(s), the greater the effect on yield.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the share or shares on principal or interest payable will be magnified. See also risk factor "*Risk of Leveraged Exposure*" above.

The market price of such Notes may be volatile and may be affected by the time remaining to the redemption date, the volatility of the share(s) and/or depositary receipt(s), the dividend rate (if any) and the financial results and prospects of the issuer or issuers of the relevant share(s) or depositary receipt(s) as well as economic, financial and political events in one or more jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such shares or depositary receipts may be traded.

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

*Determinations made by the Calculation Agent in respect of Potential Adjustment Events, Extraordinary Events and Additional Disruption Events may have an adverse effect on the value of the Notes*

Upon determining that a Potential Adjustment Event, Extraordinary Event or Additional Disruption Event has occurred in relation to an underlying share or the issuer of such underlying share, the Calculation Agent has broad discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Notes and/or (ii) (in the case of an Extraordinary Event or an Additional Disruption Event) cause early redemption of the Notes, any of which determinations may have an adverse effect on the value of the Notes.

Potential Adjustment Events (as defined in Equity Linked Condition 2) include (a) a sub-division, consolidation or re-classification of the relevant shares or a free distribution, or dividend of any such Shares to existing holders of the relevant shares by way of bonus, capitalisation or similar issue, (b) a distribution, issue or dividend to existing holders of the relevant shares of certain share capital or securities, (c) an extraordinary dividend, (d) a call by a Basket Company or Share Company, as the case may be, in respect of relevant shares that are not fully paid (e) a repurchase by

## RISK FACTORS

the Basket Company or its subsidiaries or Share Company or its subsidiaries, as the case may be, of relevant shares, (f) in the case of a Basket Company or a Share Company an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or Share Company, (g) any adjustment effected as a result of any shareholder rights plan or arrangement described in (f) and (h) any other event having a dilutive or concentrative effect on the value of the shares.

Extraordinary Events include (a) a delisting of the shares on an exchange, (b) illiquidity (c) an insolvency (where all the shares of the issuer of the underlying shares are transferred to a trustee, liquidator or similar official or may not be legally transferred) or bankruptcy of the issuer of the shares, (d) a listing change; (e) a listing suspension; (f) a merger event entailing the consolidation of the shares with those of another entity, (g) a nationalisation of the issuer of the shares or transfer of the shares to a governmental entity and (h) a tender offer or takeover offer that results in transfer of the shares to another entity.

Additional Disruption Event means any of Change of Law, Failure to Deliver, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Stop-Loss Event and/or Loss of Stock Borrow, in each case if specified in the Issue Terms.

*Holders may receive physical delivery of Shares in lieu of payment of cash amounts*

Where the Notes include the right of the Issuer, subject to the fulfilment of a particular condition, to redeem the Notes at their maturity by delivering Shares to the purchaser of such Notes, the purchasers will receive such Shares rather than a monetary amount upon maturity. Holders will, therefore, be exposed to the issuer of such Shares and the risks associated with such Shares. Noteholders should not assume that they will be able to sell such Shares for a specific price after the redemption of the Notes, and in particular not for the purchase price of the Notes. Under certain circumstances the Shares may only have a very low value or may, in fact, be worthless, in which case see risk factor "*Investors may lose the original invested amount*" above. Holders may also be subject to certain documentary or stamp taxes in relation to the delivery and/or disposal of such Shares.

### ***Risks relating to Inflation Linked Notes.***

The Issuer may issue Notes where the amount of principal and/or interest payable is dependent upon the level of an inflation index or indices ("**Inflation Linked Notes**").

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

In certain circumstances following cessation of publication of the inflation index, the Calculation Agent may determine that there is no appropriate alternative inflation index, in which case the Issuer may redeem the Notes. Such action may have an effect on the value of the Notes.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the inflation index or the indices on principal or interest payable will be magnified. See also risk factor "*Risk of Leveraged Exposure*" above.

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the level of the inflation index or indices. The level of the inflation index or indices may be affected by the economic, financial and political events in one or more jurisdictions.



## RISK FACTORS

### *Risks relating to Fund Linked Notes.*

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon the price or changes in the price of units or shares in a fund or funds (including exchange traded fund(s)) or, depending on the price or changes in the price of units or shares in such fund or funds, where the Issuer's obligation on redemption is to deliver a specified amount of fund shares ("**Fund Linked Notes**"). Accordingly an investment in Fund Linked Notes may bear similar market risks to a direct fund investment and potential investors should take advice accordingly. Prospective investors in any such Notes should be aware that depending on the terms of the Fund Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified Fund Shares may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment. In addition, the movements in the price of units, shares or interests in the fund or funds may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the units or shares in the fund or funds may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price or prices of the units, shares or interests in the fund or funds, the greater the effect on yield.

Prospective investors should also be aware that in the event of the occurrence of one or more Extraordinary Fund Events, the Issuer may substitute the relevant Fund Shares with fund shares of a fund with similar characteristics or, if no such fund is selected, with a replacement index, or redeem the Notes depending on whether such Extraordinary Fund Event is a Substitution Event or a Termination Event.

In the event that redemption proceeds in respect of the underlying Fund Shares are not received by the hedge provider on or prior to the Scheduled Maturity Date or Termination Date, such date may be postponed for a period of up to two calendar years (or such other period as may be specified in the Issue Terms) and no additional amount shall be payable as a result of such delay.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the units or shares of the fund or funds on principal or interest payable will be magnified. See also risk factor "*Risk of Leveraged Exposure*" above.

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the price of units or shares in the fund or funds. The price of units or shares in a fund may be affected by the economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any units in the fund or funds may be traded. In addition, the price of units or shares in a fund may be affected by the performance of the fund service providers, and, in particular, the investment advisor. Prospective investors should review carefully the prospectus, information memorandum and/or base prospectus (if any) issued by any relevant fund before purchasing any Notes. None of the Issuer, any affiliate of the Issuer or the Calculation Agent make any representation as to the creditworthiness of any relevant fund or any such fund's administrative, custodian, investment manager or adviser.

Where the Issuer issues Fund Linked Notes linked to one or more funds, including hedge funds, the relevant Notes reflect the performance of such fund(s).

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

### *Holders may receive physical delivery of Fund Shares in lieu of payment of cash amounts*

Where the Notes include the right of the Issuer, subject to the fulfilment of a particular condition, to redeem the Notes at their maturity by delivering Fund Shares to the purchaser of such Notes, the purchasers will receive such Fund Shares rather than a monetary amount upon maturity. Holders will, therefore, be exposed to the issuer of such Fund Shares and

## RISK FACTORS

the risks associated with such Fund Shares. The purchaser should not assume that the Noteholder will be able to sell such Fund Shares for a specific price after the redemption of the Notes, and in particular not for the purchase price of the Notes. Under certain circumstances the Fund Shares may only have a very low value or may, in fact, be worthless, in which case see risk factor "*Investors may lose the original invested amount*" above. Holders may also be subject to certain documentary or stamp taxes in relation to the delivery and/or disposal of such Fund Shares.

For all the above reasons, investing directly or indirectly in funds is generally considered to be risky. If the underlying fund does not perform sufficiently well, the value of the Notes will fall, and may in certain circumstances be zero.

### *Risks relating to Credit Linked Notes.*

The Issuer may issue Notes where the amount of principal and/or interest payable is dependent upon whether certain events ("**Credit Events**") have occurred in respect of one or more entities (together "**Reference Entities**" and each, a "**Reference Entity**") and, if so, on the value of certain specified assets of such Reference Entity(ies) or, where, if such events have occurred, the Issuer's obligation is to deliver certain specified assets upon redemption of the Notes.

Save where Maturity Credit Redemption applies or the Notes are Tranching Linear Basket Credit Linked Notes, or the Notes are Non-Tranching Linear Basket Credit Linked Notes where Credit Payment on Maturity applies, the Credit Linked Notes may then be redeemed prior to their scheduled maturity. Where Maturity Credit Redemption applies or where the Notes are Non-Tranching Linear Basket Credit Linked Notes where Credit Payment on Maturity Applies (as specified in the applicable Issue Terms) maturity of the Credit Linked Notes may be delayed until scheduled maturity of the Credit Linked Notes, notwithstanding that this may occur a significant time following the occurrence of the relevant Credit Event and unless so elected in the applicable Issue Terms no further interest will be payable in this period. Where the Notes are Tranching Linear Basket Credit Linked Notes, maturity of the Credit Linked Notes may be delayed until scheduled maturity of the Credit Linked Notes, notwithstanding that this may occur a significant time following the occurrence of the relevant Credit Event(s). Following the occurrence of a Credit Event Determination Date with respect to a number of Reference Entities that is greater than the L (being the lower tranche) number of Reference Entities specified in the Issue Terms and each subsequent Credit Event Determination Date thereafter, interest will accrue on a decreased nominal amount of the Notes until a Credit Event Determination Date has occurred with respect to a number of Reference Entities that is equal to or greater than the H (being the higher tranche) number of Reference Entities specified in the Issue Terms and at which point no further amounts shall be due in respect of the Notes.

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

The market price of such Notes may be volatile and will be affected by, amongst other things, the time remaining to the redemption date and the creditworthiness of the reference entity which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

This Base Prospectus contains Additional Terms and Conditions for Credit Linked Notes with terms based on the 2014 Credit Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. (the "**2014 ISDA Definitions**") which are set out in Annex 7. The Issuer's obligations in respect of Credit Linked Notes are irrespective of the existence or amount of the Issuer's and/or any affiliates' credit exposure to a reference entity and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

The holders of Credit Linked Notes will be exposed to the credit of one or more Reference Entities, which exposure shall be, unless otherwise stated in the Issue Terms, to the full extent of their investment in such Notes. Upon the occurrence of any of the default events comprising a Credit Event with respect to any Reference Entity, the Noteholders may suffer significant losses at a time when losses may be suffered by a direct investor in obligations of such Reference Entity. However, the holding of a Note is unlikely to lead to outcomes which exactly reflect the impact of investing in an obligation of a Reference Entity, and losses could be considerably greater than would be suffered by a direct investor in the obligations of a Reference Entity and/or could arise for reasons unrelated to such Reference Entity. Noteholders should also note that a Credit Event may occur even if the obligations of a Reference Entity are unenforceable or their

## RISK FACTORS

performance is prohibited by any applicable law or exchange controls. See also the risk factor "*Risk of Leveraged Exposure*" above.

Where cash settlement or auction settlement applies, the occurrence of a Credit Event in relation to any Reference Entity from time to time may result in a redemption of the Notes in a reduced nominal amount or at zero, and interest bearing Credit Linked Notes may cease to bear interest on or prior to the date of occurrence of such circumstance.

Where physical settlement applies, the occurrence of a Credit Event may result in the redemption of the Notes by delivery of certain direct or indirect obligations of the affected Reference Entity, which obligations are likely to have a market value which is substantially less than their par amount. Where the Notes provide for physical delivery, the Issuer may determine that the specified assets to be delivered are either (a) assets which, for any reason (including, without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the delivery of assets which are loans), are impossible or illegal to deliver on the specified settlement date, or (b) assets which the Issuer and/or any affiliate has not received under the terms of any transaction entered into by the Issuer and/or such affiliate to hedge the Issuer's obligations in respect of the Notes. Any such determination may delay settlement in respect of the Notes and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount which, in either case, may affect the value of the Notes and, in the case of payment of a cash amount, will affect the timing of the valuation of such Notes and as a result, the amount of principal payable on redemption. Prospective Investors should review the "*Terms and Conditions of the Notes*" and the Issue Terms to ascertain whether and how such provisions should apply to the Notes.

Investors in the Notes are accordingly exposed, as to both principal and (if applicable) interest, to the credit risk of the Reference Entity. The maximum loss to an investor in the Notes is 100 per cent. of their initial principal investment, together with (if applicable) any accrued interest amounts.

*A Credit Event may occur prior to the Trade Date*

Holders of the Notes may suffer a loss of some or all principal amount of the Notes in respect of one or more Credit Events that occur prior to the Trade Date or the Issue Date. Neither the Calculation Agent nor the Issuer nor any of their respective Affiliates has any responsibility to inform any Noteholder, or avoid or mitigate the effects of a Credit Event that has taken place prior to the Trade Date or the Issue Date.

*Increased credit risk is associated with "First-to-Default" or "Nth-to-Default" Credit Linked Notes or Linear Basket Credit Linked Notes*

Where the Notes are First-to-Default or Nth-to-Default Credit Linked Notes or Non-Tranched Linear Basket Credit Linked Notes, where Credit Payment As You Go applies, the Notes may be subject to redemption in full as described above upon the occurrence of a Credit Event in relation to the first or the nth or each Reference Entity in respect of which a Credit Event occurs. Where the Notes are Tranched Linear Basket Credit Linked Notes, the redemption amount of the Notes will only be reduced above upon the occurrence of a Credit Event in relation to a number greater than the L (being the lower tranche level) number of Reference Entities specified in the Issue Terms but will be subject to redemption in full as described above upon the occurrence of a Credit Event in relation to a number equal to or greater than the H (being the higher tranche level) number of Reference Entities specified in the Issue Terms. The credit risk to Noteholders may further be increased as a result of the concentration of Reference Entities in a particular industry sector or geographic area or the exposure of the Reference Entities to similar financial or other risks.

*Investors' exposure to the credit performance of the Reference Entities may not correspond to actual market recovery on such Reference Entities, including for Zero/Set Recovery Notes and Tranched Linear Credit Linked Notes.*

Interest and principal repayments on the Notes may be calculated by reference to the Outstanding Nominal Amount of the Notes. As at the Issue Date the Outstanding Nominal Amount is an amount equal to the Aggregate Nominal Amount. If a Credit Event occurs in respect of a Reference Entity, then the Outstanding Nominal Amount may be reduced by an amount equal to a predefined portion of the Aggregate Nominal Amount which may be zero irrespective of the actual market recovery in respect of such Reference Entity. Therefore investors' exposure to each Reference Entity may exceed the exposure that they might incur in respect of having entered into a standard single name credit

## RISK FACTORS

default swap as protection seller in respect of each Reference Entity and investors may lose the entire principal amount invested.

### *Amendment of Credit Linked Conditions in accordance with market convention*

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

### *ISDA Credit Derivatives Definitions*

Whilst there are many similarities between the terms used in this Base Prospectus, there are many substantial differences and a prospective investor should understand that the complete terms and conditions of the Notes are as set out in this Base Prospectus and the applicable Issue Terms and that the 2014 ISDA Definitions are not incorporated by reference herein. Consequently, investing in Credit Linked Notes is not necessarily equivalent to investing a credit default swap that incorporates either the 2003 ISDA Definitions or the 2014 ISDA Definitions.

While ISDA has published and, where appropriate, supplemented the 2014 ISDA Definitions in order to facilitate transactions and promote uniformity in the credit derivatives market, the credit derivatives market has evolved over time and is expected to continue to change. Consequently, the 2014 ISDA Definitions and the terms applied to credit derivatives generally, including Credit Linked Notes are subject to further evolution. Past events have shown that the view of market participants may differ as to how either set of the ISDA Definitions operate or should operate. As a result of the continued evolution of the market, the Credit Linked Notes may not conform to future market standards. Such a result may have a negative impact on the Credit Linked Notes and there can be no assurances that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer or the Noteholders.

### *Risks relating to Auction Settlement of Credit Linked Notes*

Where an Auction Final Price Determination Date occurs in respect of Credit Linked Notes, the Auction Final Price will be determined according to an auction procedure set out in the applicable Transaction Auction Settlement Terms, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time. The Auction Final Price determined pursuant to an auction may be less than the market value that would otherwise have been determined in respect of the relevant Reference Obligation.

The Issuer and the Noteholders may have little or no influence in outcome of any such auction. However, there is a possibility that the Issuer or the Calculation Agent (or one of their Affiliates) would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant Deliverable Obligations. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), neither the Issuer nor the Calculation Agent (or any of their Affiliates) shall be under any obligation to consider the interests of any Noteholder.

### *Risks relating to Foreign Exchange (FX) Rate Linked Notes.*

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon movements in currency exchange rates or are payable in one or more currencies which may be different from the currency in which the Notes are denominated ("**Foreign Exchange (FX) Rate Notes**"). Accordingly an investment in Foreign Exchange (FX) Rate Notes may bear similar market risks to a direct foreign exchange investment and potential investors should take advice accordingly.

## RISK FACTORS

Potential investors in any such Notes should be aware that, depending on the terms of the Foreign Exchange (FX) Rate Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of assets may occur at a different time or in a different currency than expected and (iii) they may lose a substantial portion or all of their investment. In addition, movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices and the timing of changes in the exchange rates may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in currency exchange rates, the greater the effect on yield.

The foreign exchange rate(s) to which the Notes are linked will affect the nature and value of the investment return on the Notes. The performance of foreign exchange rates are dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. Where the Notes are linked to the currency of an emerging market jurisdiction, such risks may be magnified – see also risk factor "*Emerging Market Currencies*" above.

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

Payments of principal and interest or other obligations of the Issuer in respect of any Foreign Exchange (FX) Rate Notes may be restricted or varied upon the occurrence of certain disruption events applicable to the Notes. A relevant disruption event for an exchange rate may relate to inability to obtain a price for the exchange rate from the applicable price source(s), illiquidity, the split of any relevant currency into a dual exchange rate, inconvertibility, non-transferability, a material change in circumstances in the jurisdiction of the Subject Currency that makes it impossible to fulfil certain hedging arrangements, a nationalisation or variations in the prices quoted for the exchange on different sources being greater than a specified percentage threshold (or not quoted for by members of a survey used to determine such source) if specified for that rate in the terms and conditions of the Notes and/or the Issue Terms.

Following a relevant disruption event, the applicable valuation date may be postponed so long as the relevant disruption event continues, the Calculation Agent may determine the applicable exchange rate, the Notes may be redeemed early (or on the originally designated date) by payment of the applicable early redemption amount rather than any amount that would have otherwise been calculated in respect of and due on the relevant date, the related date for payment or delivery may be deferred so long as the relevant disruption event continues or a fallback reference price source or sources may be used to calculate the rate instead of the originally designated price source. Potential investors in any Foreign Exchange (FX) Rate Notes should ensure that they have read and understood the terms and conditions of such Notes to understand which disruption events apply (and the consequences thereof) and should ensure that they are willing to accept the related risks prior to investing in the Notes, which risks include an adverse effect on (i) the value of, and/or amounts or assets due in respect of, the Notes due to the occurrence of any disruption event and application of the related disruption fallback(s); or (ii) an investor's investment schedule, timetable or plans if any due date for payment and/or delivery under the Notes is postponed as a consequence of a disruption event.

***Notes which are issued at a substantial discount of premium may experience price volatility in response to changes in market interest rates.***

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

## **RISK FACTORS**

***There are specific risks with regard to Floating Rate Notes.***

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the "*Terms and Conditions of the Notes*" provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Issuer's ability to issue Fixed Rate Notes may affect the market value and secondary market (if any) of the Floating Rate Notes (and *vice versa*).

### **5. Market Factors**

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.***

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

***There may be price discrepancies with respect to the Notes as between various dealers or other purchasers in the secondary market.***

If at any time a third party dealer quotes a price to purchase Notes or otherwise values Notes, that price may be significantly different (higher or lower) from any price quoted by any affiliate of the Issuer. Furthermore, if any Noteholder sells their Notes, the Noteholder will likely be charged a commission for secondary market transactions, or the price may reflect a dealer discount.

### **6. Potential Conflicts of Interest**

The Issuer is subject to various potential conflicts of interest in respect of the Notes, which could have an adverse effect on the Notes.

***The Issuer and its affiliates may take positions in or deal with Reference Item(s).***

The Issuer and its affiliates may:

- (a) in the ordinary course of business, effect transactions for their own account or for the account of their customers and hold long or short positions in the Reference Item(s) or related derivatives;
- (b) in connection with an offering of Notes, enter into one or more hedging transactions with respect to the Reference Item(s) or related derivatives; and/or
- (c) in connection with such hedging or market-making activities or with respect to proprietary or other trading activities, enter into transactions in the Reference Item(s) or related derivatives which may adversely (or positively) affect the price, liquidity or value of the relevant Notes and which could therefore be adverse to the interests of the relevant Noteholders.

## **RISK FACTORS**

***The Calculation Agent, which will generally be the Issuer or an affiliate of the Issuer, has broad discretionary powers which may not take into account the interests of the Noteholders.***

As the Calculation Agent will generally be the Issuer or an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and the Noteholders, including with respect to the exercise of the very broad discretionary powers of the Calculation Agent. For example, the Calculation Agent has the authority (i) to determine whether certain specified events and/or matters so specified in the conditions relating to a Tranche of Notes have occurred and (ii) to determine any resulting adjustments and calculations or substitutions as described in such conditions. Potential purchasers should be aware that any determination made by the Calculation Agent may have an impact on the value and financial return of the Notes. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest or proven error) shall be binding on the relevant Issuer and all Noteholders.

***The Issuer may have confidential information relating to the Reference Item and the Notes.***

The Issuer or its affiliates may from time to time, by virtue of their status as underwriter, advisor or otherwise, possess or have access to information relating to the Notes, the Reference Item and any derivative Notes referencing them. Such affiliates will not be obliged to disclose any such information to a purchaser of the Notes.

***The Issuer's securities as a Reference Item.***

The Issuer's shares or other instruments issued by the Issuer may be/form part of a Reference Item in Index Linked Notes, Equity Linked Notes or other type of Notes. The Issuer will have material information in relation to such Notes which the Issuer will not be obliged to disclose to a purchaser of Notes.

***Potential conflicts of interest relating to distributors or other entities involved in the offer or listing of the Notes.***

Potential conflicts of interest may arise in connection with the Notes, as any distributors or other entities involved in the offer and/or the listing of the Notes as indicated in the Issue Terms, may act pursuant to a mandate from the Issuer and may receive commissions and/or fees on the basis of the services performed in relation to such offer and/or listing.

### **7. Calculation Agent Powers**

The Calculation Agent will employ the methodology described in the Conditions to determine amounts payable or deliverable in respect of the Notes. When making any such determination in relation to any amounts so payable or deliverable, the Calculation Agent or any delegate may in its sole and absolute discretion consider a wide range of information.

The Calculation Agent makes no express or implied representations or warranties as to (i) the advisability of investing in or obtaining exposure to the Notes, (ii) the value of the Notes at any particular time on any particular date, or (iii) any amounts that may become payable or deliverable in respect of the Notes.

Without limiting any of the foregoing, in no event shall the Calculation Agent have any liability (whether in negligence or otherwise) to any Noteholders for any direct, indirect, special, punitive, consequential or any other damages (including loss of profits) even if notified of the possibility of such damages.

The Calculation Agent shall not have any responsibility to any holder for any errors or omissions in any calculations or determinations in respect of the Securities and acts solely as an agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any holder.

### **8. Credit Ratings**

## RISK FACTORS

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.*

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out under "*Downgrades in the Bank's credit rating could increase the cost of borrowing funds and make the Bank's ability to raise new funds or renew maturing debt more difficult*" above.



## DOCUMENTS INCORPORATED BY REFERENCE

### DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the following audited consolidated financial statements, notes and audit report set out at the following pages of the 2014 Annual Report of the Group:

Balance Sheet	Page 153
Income Statement	Page 152
Cash Flows Statement	Page 154
Statement of Changes in Equity	Page 155
Statement of Comprehensive Income	Page 156
Notes to the Consolidated Financial Statements	Pages 158 to 313
Audit Report	Pages 475 to 477

- (b) the following audited consolidated financial statements, notes and audit report set out at the following pages of the 2015 Annual Report of the Group:

Balance Sheet	Page 139
Income Statement	Page 138
Cash Flows Statement	Page 140
Statement of Changes in Equity	Pages 141 to 142
Statement of Comprehensive Income	Page 142
Notes to the Consolidated Financial Statements	Pages 144 to 293
Audit Report	Pages 430 to 432

- (c) the following unaudited consolidated financial statements and the respective Auditor's Limited Review Report set out at the following pages of the Interim Activity Report of the 3rd Quarter of 2016 of the Group:

Balance Sheet	Page 27
Income Statement	Page 23
Cash Flows Statement	Page 28
Statement of Changes in Equity	Page 29
Statement of Comprehensive Income	Page 26

## DOCUMENTS INCORPORATED BY REFERENCE

Notes to the Consolidated Financial Statements	Pages 31 to 150
--	-----------------

Limited Review Report	Pages 151 to 152
-----------------------	------------------

All financial information in this Base Prospectus relating to the Issuer for the years ended on 31 December 2014 and 31 December 2015 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

The information incorporated by reference in (a), (b) and (c) above are direct and accurate translations from their original Portuguese form. In the event of a discrepancy the original Portuguese version will prevail.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered offices of the Issuer and from the specified offices of the Paying Agents for the time being. Documents referred to in (a), (b) and (c) above can be viewed electronically and free of charge at the Bank's website:

- <http://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2015/RCBCP2015EN.pdf>;
- <http://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2014/RCBCP2014EN.pdf>;
- <http://ind.millenniumbcp.pt/en/Institucional/investidores/Documents/RelatorioContas/2016/BCP-3T-2016EN-02122016.pdf>.

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

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

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

## TERMS AND CONDITIONS OF THE NOTES

### TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes (the "**General Conditions**", and each, a "**General Condition**") which will be incorporated by reference into each Global Note (as defined below) and endorsed upon each definitive Note. The Issue Terms (as defined below) (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

*The additional terms and conditions contained in Annex 1 in respect of payouts (the "**Payout Conditions**"), Annex 2 in the case of Index Linked Notes (the "**Index Linked Conditions**"), Annex 3 in the case of Equity Linked Notes (the "**Equity Linked Conditions**"), Annex 4 in the case of Inflation Linked Notes (the "**Inflation Linked Conditions**"), Annex 5 in the case of in the case of Fund Linked Notes (the "**Fund Linked Conditions**"), Annex 6 in the case of Foreign Exchange (FX) Rate Linked Notes (the "**Foreign Exchange (FX) Linked Conditions**") and Annex 7 in the case of Credit Linked Notes (the "**Credit Linked Conditions**") (each as defined below, an "**Annex**", and together, the "**Annexes**") will apply to the Notes if so specified in the Issue Terms.*

*Reference should be made to "Form of Notes" below for a description of the content of Issue Terms which will include the definitions of certain terms used in these General Conditions or specify which of such terms are to apply in relation to the relevant Notes.*

Each Note is one of a Series (as defined below) of Notes issued by Banco Comercial Português, S.A. (the "**Issuer**") pursuant to the Agency Terms or the Instrument (each as defined below).

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

- (i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Notes Currency;
- (ii) any Global Note;
- (iii) Book Entry Notes; and
- (iv) any definitive Notes in bearer form ("**Definitive Bearer Notes**") issued in exchange for a Global Note.

Notes in book entry form ("**Book Entry Notes**") are integrated in the Interbolsa book entry system and governed by these conditions and a deed poll given by the Issuer in favour of the holders of Book Entry Notes dated 3 March 2017 (the "**Instrument**").

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of a set of Agency Terms (such Agency Terms as amended and/or supplemented and/or restated from time to time, the "**Agency Terms**") dated 3 March 2017 issued by Banco Comercial Português, S.A. as Issuer, and, if so specified in the Issue Terms, calculation agent and delivery agent (the "**Calculation Agent**" and the "**Delivery Agent**", which expressions shall include any successor calculation agent or successor delivery agent and any other calculation agent or delivery agent specified in the Issue Terms) and as Portuguese paying agent (the "**Portuguese Paying Agent**"). A principal paying agent may be appointed from time to time (the "**Principal Paying Agent**"). The Principal Paying Agent, together with the Portuguese Paying Agent, are referred to as the "**Paying Agents**". The Principal Paying Agent, the Portuguese Paying Agent, the other Paying Agents, the Calculation Agent and the Delivery Agent are referred to together as the "**Agents**".

The final terms for each Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed or incorporated herein on the relevant Note which complete, and will be read in conjunction with, these General Conditions. References to the "**Final Terms**" are to the final terms (or the relevant provision thereof) attached or endorsed on the relevant Note. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes, for the purposes of this Base Prospectus only, any relevant implementing measure in a relevant Member State of the European Economic Area.

## TERMS AND CONDITIONS OF THE NOTES

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall, subject as provided in General Condition 1(a), mean the holders of the Notes and in the case of Book Entry Notes, the persons shown in the individual securities accounts held with an authorised financial intermediary institution entitled to hold control accounts with the Central de Valores Mobiliários on behalf of their customers (and includes any depositary banks appointed by Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") for the purpose of holding accounts on behalf of Euroclear and/or Clearstream, Luxembourg, respectively) (each an "**Affiliated Member**") of Interbolsa - Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. ("**Interbolsa**") (the "**Book Entry Noteholders**") and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons (each as defined below).

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue. References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. As used herein, "**Issue Terms**" means either (i) where the Notes are not Exempt Notes, the applicable Final Terms or (ii) where the Notes are Exempt Notes, the applicable Pricing Supplement, and references should be construed accordingly.

The Noteholders (other than Book Entry Noteholders), the Receiptholders and the Couponholders will be entitled to the benefit (at such point at which Global Notes are issued) of the Deed of Covenant (the "**Deed of Covenant**") the form of which is set out in the Agency Terms dated 3 March 2017 and made by the Issuer.

Copies of the Agency Terms and the Instrument are available for inspection during normal business hours at the specified office of the Portuguese Paying Agent. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Terms, the Instrument and the Issue Terms which are applicable to them. The statements in the General Conditions include summaries of, and are subject to, the detailed provisions of the Agency Terms and the Instrument.

Words and expressions defined in the Agency Terms, the Instrument or used in the Issue Terms shall have the same meanings where used in the General Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Terms or the Instrument, as the case may be, and the Issue Terms, the Issue Terms will prevail.

### 1. Form, Denomination and Title

#### (a) Form and Denomination

The Notes are in bearer form ("**Bearer Notes**") or in book entry form ("*forma escritural*") which can either be "*nominativas*" (in which case Interbolsa, at the Issuer's request, can ask the Affiliated Members for information regarding the identity of the Noteholders and transmit such information to the Issuer) or "*ao portador*" (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders), as specified in the applicable Issue Terms in the currency (the "**Specified Notes Currency**") and the denomination(s) (the "**Specified Denomination(s)**") specified in the Issue Terms and definitive Notes will be serially numbered.

If a Note is a definitive Bearer Note (a "**Definitive Bearer Note**"), it is issued with coupons for the payment of interest ("**Coupons**") attached and, if applicable, talons for further Coupons ("**Talons**") attached unless it is a Zero Coupon Note (as defined below) in which case references to interest (other than in the case of late payment) and Coupons in these General Conditions are not applicable. If it is a Definitive Bearer Note that is an Instalment Note (as defined below) it is issued with receipts ("**Receipts**") for the payment of instalments of principal prior to stated maturity attached. Any reference in these General Conditions to Coupon(s) or Couponholder(s) shall, unless the context otherwise requires, be deemed to include a reference to Talon(s) or Talonholder(s).

## TERMS AND CONDITIONS OF THE NOTES

### (b) Type of Notes

A Note is, to the extent specified in the Issue Terms, (i) a Note bearing interest on a fixed-rate basis (a "**Fixed Rate Note**"), (ii) a Note bearing interest on a floating-rate basis (a "**Floating Rate Note**"), (iii) a Note bearing interest on the basis of specified interest amounts (a "**Specified Interest Amount Note**"), (iv) a Note issued on a non-interest bearing basis and offered and sold at a discount (other than a de minimis discount) to its nominal amount or at par and to which the Zero Coupon Notes provisions are expressed to be applicable (a "**Zero Coupon Note**"), and/or (iv) a Reference Item Linked Note (as defined below).

A Note may, to the extent specified in the Issue Terms, also be (i) a Note which is redeemable in instalments (an "**Instalment Note**"), (ii) a Note upon which its denomination and payment of principal and/or interest may be in more than one currency (a "**Dual Currency Note**"), (iii) a Note issued on a partly paid basis (a "**Partly Paid Note**") or (iv) a Reference Item Linked Note.

"**Reference Item Linked Note**" means a Note whose return (whether in respect of any interest payable (such note a "**Reference Item Linked Interest Note**" as defined in Annex 1 – Payout Conditions) on such Note and/or its redemption amount) is linked to one or more Reference Items, including indices (an "**Index Linked Note**") or shares or depositary receipts (an "**Equity Linked Note**") or inflation indices (an "**Inflation Linked Note**") or reference item rate(s) (a "**Reference Item Rate Linked Note**"), or fund shares or units (a "**Fund Linked Note**") or the credit of a specified entity or entities (a "**Credit Linked Note**") or foreign exchange rates (a "**Foreign Exchange (FX) Rate Linked Note**") or any combination thereof (a "**Combination Note**") as specified in the Issue Terms.

"**Reference Item**" means one or more underlying reference assets, entities or bases, as may be specified in the Issue Terms.

A Note may, as provided in the Issue Terms, provide that settlement will be by way of cash settlement ("**Cash Settled Notes**"); by way of physical delivery ("**Physically Settled Notes**"); or where Condition 4(b)(ii) (*Variation of Settlement*) is specified in the Issue Terms to apply, the method of settlement may be changed from Cash Settlement to Physical Delivery (or vice versa) at the option of the Issuer.

### (c) Title

Subject as set out below, title to Bearer Notes, Coupons and Receipts will pass by delivery in accordance with the provisions of the Agency Terms. The holder of each Coupon or Receipt, whether or not such Coupon or Receipt is attached to a Bearer Note, in his capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. The Issuer and any Paying Agent, to the extent permitted by applicable law, may deem and treat the bearer of any Bearer Note, Coupon or Receipt as the absolute owner thereof (whether or not such Bearer Note, Coupon or Receipt shall be overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Bearer Global Note, without prejudice to the provisions set out below.

Title to the Book Entry Notes passes upon registration in the relevant individual securities accounts held with an Affiliated Member of Interbolsa.

### (d) Notes in Global Form

For as long as any of the Notes are represented by a Global Note held by or on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal

## TERMS AND CONDITIONS OF THE NOTES

amount of such Notes and voting, giving consents and making requests, for which purpose the bearer of the relevant Bearer Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

Except in relation to Notes indicated in the Issue Terms as being in New Global Note form, references to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the Issue Terms or as may otherwise be approved by the Issuer and Principal Paying Agent.

In this General Condition, the following expressions shall have the following meanings:

"**Bearer Global Note**" means a global note (temporary or permanent) in bearer form; and

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

### 2. Status of the Notes

The Notes and the relative Coupons and Receipts are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu*, among themselves and with all present and future unsecured and unsubordinated obligations of the Issuer, save for those that have been accorded by law preferential rights.

### 3. Interest

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

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will accrue in respect of each period from (and including) an Interest Period End Date (or if none the Interest Commencement Date) to (but excluding) the next (or first) Interest Period End Date (each an "**Interest Period**" and each such latter date the "**Interest Period End Final Date**"). Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. If an Interest Payment Date falls after the Interest Period End Final Date in respect of the relevant Interest Period, no additional interest or other amount shall be payable as a result of such interest being payable on such later date. If a Business Day Convention (as defined in General Condition 3(i) below) is specified in the Issue Terms as applying to an Interest Period End Date or an Interest Payment Date and (i) if there is no numerically corresponding day on the calendar month in which an Interest Period End Date or Interest Payment Date, as the case may be, should occur or (ii) if any Interest Period End Date or Interest Payment Date, as the case may be, would otherwise fall on a day which is not a Business Day (as defined in General Condition 3(i)), then, the relevant Business Day Convention shall apply. For the purposes of this General Condition 3(a), "**Interest Period End Date**" shall mean each date so specified in the Issue Terms. If no such date(s) is so specified, then the Interest Period End Date for an Interest Period shall be the corresponding Interest Payment Date (unadjusted for any Business Day Convention).

Interest on Fixed Rate Notes which are Book Entry Notes will be calculated on the full nominal amount outstanding of Fixed Rate Notes and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Noteholders of Book Entry Notes in accordance with Interbolsa's usual rules and operating procedures.

If no Business Day Convention is specified as applicable to an Interest Period End Final Date in the Issue Terms, except as provided in the Issue Terms:

## TERMS AND CONDITIONS OF THE NOTES

- (i) the amount of interest payable on each Interest Payment Date in respect of the Interest Period ending on (but excluding) the Interest Period End Final Date in respect of such Interest Period, will amount to the Fixed Coupon Amount; and
- (ii) the amount of interest payable on any other Interest Payment Date will, if so specified in the Issue Terms, amount to the Broken Amount so specified.

Subject to the Payout Conditions, Interest shall be calculated by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up);
- (ii) in the case of each Fixed Rate Note in definitive form, the Calculation Amount; or
- (iii) in the case of Book Entry Notes, the full nominal amount, as provided above,

and, in each case, multiplying such sum by the applicable Day Count Fraction (as defined in General Condition 3(i) below) specified in the Issue Terms, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Notes Currency, half of any such sub-unit (as defined below) being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of Interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

### (b) Interest on Floating Rate Notes and Reference Item Linked Interest Notes

#### (i) Interest Period End Dates and Interest Payment Dates

Each Floating Rate Note and, subject to the provisions of General Condition 3(e) below and unless otherwise specified in the Issue Terms, each Reference Item Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, in accordance with General Condition 3(f)) in respect of each Interest Period (as defined in General Condition 3(a)). For the purposes of this General Condition 3(b), "**Interest Period End Date**" shall mean either:

- (i) the specified Interest Period End Date(s) in each year specified in the Issue Terms; or
- (ii) if no Interest Period End Date(s) is/are specified in the Issue Terms, (x) in the case of Floating Rate Notes, each date which falls on the number of months or other period specified as the Specified Period in the Issue Terms after the preceding Interest Period End Date or, in the case of the first Interest Period End Date, after the Interest Commencement Date and (y) in the case of Reference Item Linked Interest Notes, the corresponding Interest Payment Date (unadjusted for any Business Day Convention).

Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. If an Interest Payment Date falls after an Interest Period End Final Date in respect of the relevant Interest Period, no additional interest or other amount shall be payable as a result of such interest being payable on such later date.

## TERMS AND CONDITIONS OF THE NOTES

If a Business Day Convention is specified in the Issue Terms as applying to an Interest Period End Date or an Interest Payment Date and (i) if there is no numerically corresponding day on the calendar month in which an Interest Period End Date or Interest Payment Date, as the case may be, should occur or (ii) if any Interest Period End Date or Interest Payment Date, as the case may be, would otherwise fall on a day which is not a Business Day (as defined in General Condition 3(i) below), then the relevant Business Day Convention (as defined in General Condition 3(i) below) shall apply. Provided that, in any case, where Specified Periods are specified in accordance with General Condition 3(b)(i)(ii) above, the Floating Rate Convention shall apply.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Reference Item Linked Interest Notes will be determined in the manner specified in the Issue Terms.

(iii) ISDA Determination

Where ISDA Determination is specified in the Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Issue Terms) the Margin (if any). For the purposes of this subparagraph (iii), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or the Portuguese Paying Agent, as applicable, under an interest rate swap transaction if the Principal Paying Agent or the Portuguese Paying Agent, as applicable, were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

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

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

(iv) Screen Rate Determination

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

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate(s) which appears or appear, as the case may be, on the Relevant Screen Page (or any successor to such page or service) as at the Specified Time indicated in the Issue Terms (which will be 11.00 a.m., London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date (as defined below) in question plus or minus (as indicated in the Issue Terms) the Margin (if any), all as determined by the



## TERMS AND CONDITIONS OF THE NOTES

Principal Paying Agent or the Portuguese Paying Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Portuguese Paying Agent, as applicable, for the purpose of determining the arithmetic mean (rounded, as provided above) of such offered quotations; or

- (iii) in the case of a CMS Rate, the rate for swap transactions in the currency to which the CMS Rate relates with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page (or any successor to such page or service) as of the Specified Time on the relevant Interest Determination Date plus or minus (as indicated in the Issue Terms) the Margin (if any), all as determined by the Calculation Agent or, in the event that the Calculation Agent determines it is not reasonably practicable to determine the Rate of Interest in such manner, the Rate of Interest will be determined by the Calculation Agent as such rate that it determines would have prevailed but for such impracticability by reference to such source(s) as it may select; or
- (iv) in the case of a rate that is based on the yield of a government bond (a "**Government Bond Yield Rate**"), the rate for a generic government bond, expressed as a percentage per annum, with a maturity of the Designated Maturity, which appears on the Relevant Screen Page (or any successor to such page or service) as of the Specified Time on the relevant Interest Determination Date plus or minus (as indicated in the Issue Terms) the Margin (if any) (all as specified in the Issue Terms), as determined by the Calculation Agent or if the Calculation Agent determines that it is not reasonably practicable to obtain the rate in such manner, the rate will be determined as such rate that the Calculation Agent determines would have prevailed but for such impracticability by reference to such source(s) as it may select; or
- (v) in case the rate specified in the Issue Terms is a TEC Rate (*Taux de l'Echéance Constante*), the offered quotation, expressed as a percentage rate per annum, with a maturity of the Designated Maturity calculated by the *Comité de Normalisation Obligataire* (or any successor thereto), which appears on the Relevant Screen Page (or any successor to such page or service) as of the Specified Time on the relevant Interest Determination Date plus or minus (as indicated in the Issue Terms) the Margin (if any) (all as specified in the Issue Terms), as determined by the Calculation Agent or if the Calculation Agent determines it is not reasonably practicable to determine the rate in such manner, the rate shall be determined by the Calculation Agent on the basis of the linear interpolation of the mid-market prices for each of the two reference French treasury bonds (*Obligation Assimilable du Trésor*) ("**OAT**"), which would have been used by the *Comité de Normalisation Obligataire* (or any successor thereto) for the calculation of the relevant rate. In order to determine such mid-market prices, the Calculation Agent shall request five active dealers each to provide a quotation of its price at approximately the Specified Time on the Interest Determination Date in question and shall determine the mid-market prices as the arithmetic mean of such quotations after discarding the highest and lowest of such quotations.

In the case of (i) and (ii), the Agency Terms contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the Specified Time indicated above or in the Issue Terms. The Issue Terms may, if agreed by the relevant Dealer, set out such provisions in full.

- (v) Determination of Rate of Interest and Calculation of Interest Amount

## TERMS AND CONDITIONS OF THE NOTES

The Principal Paying Agent or the Portuguese Paying Agent, as applicable, will, on or as soon as practicable after each date on which the Rate of Interest is to be determined (the "**Interest Determination Date**"), determine the Rate of Interest (subject to any Minimum Interest Rate or Maximum Interest Rate specified in the Issue Terms) for the relevant Interest Period.

Subject to the Payout Conditions, the Principal Paying Agent or the Portuguese Paying Agent, as applicable, will calculate the amount of interest (the "**Interest Amount**") payable on the Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes and Reference Item Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of each Floating Rate Note, Reference Item Linked Interest Note and Combination Interest Note in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the Day Count Fraction (as defined in General Condition 3(i) below) specified in the Issue Terms and rounding the resultant figure to the nearest sub-unit (defined above) of the relevant Specified Notes Currency, one half of such a sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note and Reference Item Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

- (vi) Minimum and/or Maximum Interest Rate

If the Issue Terms specifies a Minimum Interest Rate for any Interest Period, then in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii), (iii), (iv) or (v) above or (e) below (as appropriate) is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate. If the Issue Terms do not specify a Minimum Interest Rate for any Interest Period, then the Rate of Interest for such Interest Period shall not be less than zero.

If the Issue Terms specifies a Maximum Interest Rate for any Interest Period, then in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (ii), (iii), (iv) or (v) above or (e) below (as appropriate) is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

- (vii) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Issue Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Portuguese Paying Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Issue Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Issue Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the

## TERMS AND CONDITIONS OF THE NOTES

Portuguese Paying Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

**"Designated Maturity"** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(viii) Notification of Rate of Interest and Interest Amount

The Principal Paying Agent or the Portuguese Paying Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Irish Stock Exchange (in the case of Notes which are listed on the Official List of the Irish Stock Exchange and the rules of such stock exchange so require) and, if applicable, to any other stock exchange on which the relevant Notes are for the time being listed. In addition, the Principal Paying Agent or the Portuguese Paying Agent, as applicable, shall publish or cause to be published such Rate of Interest, Interest Amount and Interest Payment Date in accordance with General Condition 12 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Notes are for the time being listed and to the Noteholders in accordance with General Condition 12.

(ix) Certificates to be Final

All certificates, communications, determinations, calculations and decisions made for the purposes of the provisions of this paragraph (b), by the Principal Paying Agent or the Portuguese Paying Agent, as applicable, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Paying Agents and all Noteholders, and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Principal Paying Agent, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Interest on Specified Interest Amount Notes

Each Specified Interest Amount Note shall pay interest at an amount per Calculation Amount equal to the Specified Interest Amount so specified in the Specified Interest Amount provisions of the Issue Terms which shall be payable on the relevant Specified Interest Payment Date(s) also specified therein, adjusted, where applicable for any Business Day Convention. For the avoidance of doubt, different Specified Interest Amounts may be payable in respect of Specified Interest Payment Dates.

(d) Zero Coupon Notes

Where a Zero Coupon Note becomes due and repayable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the amount determined in accordance with General Condition 5(g) as its Amortised Face Amount. As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Accrual Yield specified in the Issue Terms. Such interest shall continue to accrue (as well after as before any judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note. Such interest will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and in the case of an incomplete month the actual number of days elapsed in such incomplete month or on such other basis as may be specified in the Issue Terms.

(e) Interest on Reference Item Linked Interest Notes

## TERMS AND CONDITIONS OF THE NOTES

In the case of Reference Item Linked Interest Notes, where the Rate of Interest and/or the Interest Amount (whether on any Interest Payment Date, early redemption, maturity or otherwise) is to be determined by reference to one or more Reference Items, the Rate of Interest and/or the Interest Amount shall be determined where applicable as provided in the Payout Annex.

(f) Interest on Partly Paid Notes

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

(g) Interest Payments and Accrual of Interest

Interest will be paid subject to and in accordance with the provisions of General Condition 4. Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless otherwise provided in these General Conditions or any Annex and otherwise unless, upon due presentation thereof, payment of principal or the payment, and/or delivery of the Entitlement as set out in the Issue Terms (if applicable), is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgment) at the Fixed Rate or, as the case may be, the Rate of Interest at such day count fraction as the Principal Paying Agent or the Portuguese Paying Agent, as applicable, determines appropriate or as otherwise provided in the Issue Terms until whichever is the earlier of (i) the day on which all sums due and/or assets comprised in the Entitlement in respect of such Note up to that day are received by or on behalf of the holder of such Note and (ii) the day on which the Principal Paying Agent or the Portuguese Paying Agent, as applicable, or any agent appointed by the Issuer to deliver such assets to Noteholders has notified the holder thereof (either in accordance with General Condition 12 or individually) of receipt of all sums due and/or assets comprised in the Entitlement in respect thereof up to that date (subject, in the case of Credit Linked Notes, to the provisions of Credit Linked Condition 4).

(h) Calculation Agent

- (i) If a Calculation Agent is specified in the Issue Terms, any determination specified in General Conditions 3(b) to (g) (inclusive) as being determinations to be made by the Principal Paying Agent or the Portuguese Paying Agent, as applicable, will instead be made by the Calculation Agent as if references to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, in such General Conditions (and related provisions of the Agency Terms) were to the Calculation Agent. The Calculation Agent will notify any amount of interest to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, as soon as reasonably practicable following its determination.
- (ii) A Calculation Agent must be appointed for the determination of the Rate of Interest where such determination is other than a single determination of the Rate of Interest for each Interest Period that is made in accordance with this General Condition 3 and the related provisions of the Agency Terms and without the imposition of any additional duties on the Principal Paying Agent or the Portuguese Paying Agent, as applicable,.

(i) Definitions

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

**"Business Day"** means:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre (other than TARGET2 System) specified in the Issue Terms; and

## TERMS AND CONDITIONS OF THE NOTES

- (ii) if TARGET2 System is specified as an Additional Business Centre in the applicable Issue Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open; and
- (iii) either (1) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant currency (and which, if the currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day (a "**Target Settlement Day**") on which the TARGET2 System is open.

**"Business Day Convention":** If any date referred to in these General Conditions which is specified to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Business Day, then, if the business day convention specified in the Issue Terms is:

- (i) the "**Floating Rate Convention**", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent such date shall be the last Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;
- (ii) the "**Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day;
- (iii) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (iv) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if "**Actual/Actual (ICMA)**" is specified in the Issue Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Period End Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Issue Terms) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (C) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (a) the number of days in such Determination Period and (b) the number of Determination Dates (as specified in the Issue Terms) that would occur in one calendar year; and

## TERMS AND CONDITIONS OF THE NOTES

- (D) the number of days In such Accrual Period falling in the next Determination Period divided by the product of (a) the number of days in such Determination Period and (b) the number of Determination Dates that would occur in one calendar year;

**"Determination Date(s)"** means the date(s) specified in the Issue Terms;

**"Determination Period"** means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the Interest Period End Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

- (i) if **"Actual/Actual (ISDA)"** or **"Actual/Actual"** is specified in the Issue Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/365 (Fixed)"** is specified in the Issue Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if **"Actual/365 (Sterling)"** is specified in the Issue Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **"Actual/360"** is specified in the Issue Terms, the actual number of days in the Interest Period divided by 360;
- (v) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified in the Issue Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

- "Y<sub>1</sub>"** is the year expressed as a number, in which the first day of the Interest Period falls;
- "Y<sub>2</sub>"** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "M<sub>1</sub>"** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M<sub>2</sub>"** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "D<sub>1</sub>"** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31 in which case D<sub>1</sub>, will be 30; and
- "D<sub>2</sub>"** is the calendar day expressed as a number immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub>, is greater than 29, in which case D<sub>2</sub> will be 30;
- (vi) if **"30E/360"** or **"Eurobond Basis"** is specified in the Issue Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

## TERMS AND CONDITIONS OF THE NOTES

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

where:

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

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

(vii) if "**30E/360 (ISDA)**" is specified in the Issue Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 in which case D<sub>2</sub> will be 30.

(i) if "**1/1**" or "**1**" is specified, one.

(ii) if "**Not applicable**" is specified then the Day Count Fraction will not be taken into account in any calculation of interest.

## 4. Payments, Physical Delivery and Exchange of Talons

## TERMS AND CONDITIONS OF THE NOTES

For the purposes of this General Condition 4, references to payment or repayment (as the case may be) of principal and/or interest and other similar expressions shall, where the context so admits, be deemed also to refer to delivery of any Entitlement(s).

(a) Method of Payment

(i) Bearer Notes

Payments of principal and interest (if any) in respect of the Definitive Bearer Notes will (subject as provided below) be made against presentation or surrender of such Bearer Notes or Coupons, as the case may be, at any specified office of any Paying Agent. Payments of principal in respect of instalments (if any), other than the last instalment, will (subject as provided below) be made against surrender of the relevant Receipt. Payment of the last instalment will be made against surrender of the relevant Bearer Note. Each Receipt must be presented for payment of such instalment together with the relevant Definitive Bearer Note against which the amount will be payable in respect of that instalment. If any Definitive Bearer Notes are redeemed or become repayable prior to the Maturity Date in respect thereof, principal will be payable on surrender of each such Note together with all unmatured Receipts appertaining thereto. Unmatured Receipts and Receipts presented without the Definitive Bearer Notes to which they appertain do not constitute obligations of the Issuer. All payments of interest and principal with respect to Bearer Notes will be made only against presentation and surrender of the relevant Bearer Notes, Coupons or Receipts outside the United States (which expression, as used herein, means the United States of America and except as otherwise provided in the third succeeding paragraph. No payment with respect to the Bearer Notes will be made by mail to an address in the United States or by transfer to an account maintained by the holder in the United States.

Subject as provided below and subject also as provided in the Issue Terms, payments in respect of definitive Notes (other than Foreign Exchange (FX) Rate Notes) denominated in a currency (other than euro) or, in the case of Foreign Exchange (FX) Rate Notes, payable in a currency (other than euro) will (subject as provided below) be by transfer to an account in the currency maintained by the payee with, a bank in the principal financial centre of the country of such currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively). Payments in euro will be made by credit or transfer to a euro account or any other account to which euro may be credited.

(ii) Global Notes

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

Payments in respect of the Book Entry Notes will be made by transfer to the registered account of the Noteholders maintained by or on behalf of it with a bank that processes payments in Euro, details of which appear in the records of the relevant Affiliated Member of Interbolsa at the close of business on the Payment Day (as defined below) before the due date for payment of principal and/or interest.

Payments in respect of the Book Entry Notes will be made by transfer to the registered account of the Noteholders maintained by or on behalf of it with a bank that processes payments in Euro, details of which appear in the records of the relevant Affiliated Member of Interbolsa at the close of business on the Payment Day (as defined below) before the due date for payment of principal and/or interest.



## TERMS AND CONDITIONS OF THE NOTES

### (iii) Payments in United States

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated and payable in US dollars will be made at the specified office of any Paying Agent in the United States if (a) 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 at such specified offices outside the United States of the full amount due on the Bearer Notes in the manner provided above when due; (b) payment of the full amount due at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in US dollars; and (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

### (iv) Coupons

Fixed Rate Bearer Notes in definitive form should be presented for payment with all unmatured Coupons appertaining thereto (which expression shall include Coupons to be issued on exchange of Talons which will have matured on or before the relevant redemption date), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupon which the sum so paid bears to the total amount due) will be deducted from the sum due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of 10 years from the Relevant Date (as defined in General Condition 6) for the payment of such sum due for payment, whether or not such Coupon has become void pursuant to General Condition 9 or, if later, five years from the due date for payment of such Coupon. Upon any Fixed Rate Bearer Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Note, Specified Interest Amount Note, Index Linked Note, Equity Linked Note, Inflation Linked Note, Fund Linked Note, Credit Linked Note, Foreign Exchange (FX) Rate Linked Note or Combination Note in definitive bearer form all unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Floating Rate Note, Specified Interest Amount Note, Index Linked Note, Equity Linked Note, Inflation Linked Note, Fund Linked Note, Credit Linked Note, Foreign Exchange (FX) Rate Linked Note or Combination Note is presented for redemption without all unmatured Coupons appertaining thereto, payment of all amounts due in relation to such Note shall be made only against the provision of such indemnity of the Issuer.

### (v) Payments

If any date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, then the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay.

For these purposes, "**Payment Day**" means any day which (subject to General Condition 9) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (i) either (i) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant currency (if other than the place of presentation, any Financial Centre and which, (x) if such currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (y) if such currency

## TERMS AND CONDITIONS OF THE NOTES

is Renminbi, shall be Beijing and Hong Kong) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open;

- (ii) each city specified as a Financial Centre (each, a "**Financial Centre**") (other than TARGET2 System) in the Issue Terms;
- (iii) if TARGET2 System is specified as Financial Centre in the applicable Issue Terms, a day on which the TARGET2 System is open; and
- (iv) in relation to Notes in definitive form, the relevant place of presentation;

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of General Condition 10. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

Payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of General Condition 6, (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto and (iii) any withholding or deduction required pursuant to Section 871(m) of the Code.

### (b) Physical Delivery

#### (i) Physical Delivery of Bearer Notes

##### (i) Asset Transfer Notices

In relation to Bearer Notes to be redeemed by delivery or, in the case of Credit Linked Notes, Delivery (as such term is defined in the Credit Linked Conditions of the Entitlement(s) (as defined below), in order to obtain delivery or Delivery, as the case may be, of the Entitlement in respect of any Note, the relevant Noteholder must:

- (1) if such Note is represented by a Global Note, deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Paying Agent and any entity appointed by the Issuer to deliver or Deliver, as the case may be, the Entitlement on its behalf (the "**Delivery Agent**") no later than the close of business in each place of reception on the Cut-Off Date, a duly completed asset transfer notice substantially in the form set out in the Agency Terms (the "**Asset Transfer Notice**"); and
- (2) if such Note is in definitive form, deliver to any Paying Agent with a copy to the Principal Paying Agent and the Delivery Agent (as defined above) no later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

For the purposes hereof, "**Cut-off Date**" means the date specified as such in the Issue Terms or if not so specified (a) in respect of a Note that is not a Credit Linked Note, the fifth

## TERMS AND CONDITIONS OF THE NOTES

Business Day immediately preceding the Delivery Date or (b) in respect of a Credit Linked Note, the third Business Day immediately preceding the Credit Settlement Date.

A form of Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such Note is in definitive form, in writing.

If a Note is in definitive form, it must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

- (1) specify the name, address and contact telephone number of the relevant Noteholder and the person from whom the Issuer or Delivery Agent may obtain details for the delivery or Delivery of the Entitlement;
- (2) specify the series number of the Notes and the number of Notes which are the subject of such notice;
- (3) in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject of such notice and the number of the Noteholder's account at the relevant Clearing System to be debited with such Notes and irrevocably instruct and authorise the relevant Clearing System to debit the relevant Noteholder's account with such Notes on or before the Delivery Date or (in the case of Credit Linked Notes) the Credit Settlement Date;
- (4) include an undertaking to pay all Expenses (as defined below) and, in the case of Notes represented by a Global Note, an authority to the relevant Clearing System to debit a specified account of the Noteholder with the relevant Clearing System in respect thereof and to pay such Expenses;
- (5) include such details as are required for delivery or Delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered or Delivered and specify the name and number of the Noteholder's account to be credited with any cash payable by the Issuer, (including, where applicable, pursuant to Credit Linked Condition 1, in respect of any cash amount constituting the Entitlement) or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event or a Failure to Deliver due to Illiquidity and the Issuer electing to pay the Disruption Cash Redemption Amount or Failure to Deliver Redemption Amount, as applicable, or as a result of the Issuer electing to pay the Alternate Cash Redemption Amount (each as defined below);
- (6) certify that the beneficial owner of each Note is not a U.S. person (as defined in the Asset Transfer Notice), the Note is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof; and
- (7) authorise the production of such certification in any applicable administrative or legal proceedings,

## TERMS AND CONDITIONS OF THE NOTES

all as provided in the Agency Terms.

Copies of such Asset Transfer Notice may be obtained from any Paying Agent.

(ii) Determinations and Delivery

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made by the relevant Paying Agent in consultation with the Principal Paying Agent or the Portuguese Paying Agent, as applicable, and shall be conclusive and binding on the Issuer, the Principal Paying Agent(s), any Delivery Agent and the relevant Noteholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, and any Delivery Agent immediately after being delivered or sent as provided in paragraph (i), shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of Notes represented by a Global Note, the relevant Clearing System, or, in the case of Notes in definitive form, by the relevant Paying Agent in consultation with the Principal Paying Agent or the Portuguese Paying Agent, as applicable, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

The relevant Clearing System or the relevant Paying Agent shall use its reasonable efforts as soon as reasonably practicable to notify the Noteholder submitting an Asset Transfer Notice, if, in consultation with the Principal Paying Agent or the Portuguese Paying Agent, as applicable, and the Issuer, it has determined that such Asset Transfer Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Paying Agents or the relevant Clearing System shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Noteholder.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearing System 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.

The Entitlement will be delivered on the date fixed for redemption (such date, subject to adjustment in accordance with this General Condition 4(b), the "**Delivery Date**") or (in the case of Credit Linked Notes) Delivered on the Credit Settlement Date, in each case at the risk of the relevant Noteholder in the manner provided below and provided that, in each case, the Asset Transfer Notice is duly delivered as provided above not later than the close of business in each place of reception on the Cut-Off Date.

If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to each relevant party prior to the close of business in each place of reception on the Cut-Off Date, then the Entitlement will be delivered or, as the case may be, Delivered as soon as practicable after the Delivery Date or the Credit Settlement Date, as the case may be, at the risk of such Noteholder in the manner set out below, Provided that, if in respect of a Note, an Asset Transfer Notice is not delivered to the relevant Clearing System and/or each other relevant party, as the case may be, with a copy to the Issuer, prior to the close of business in each place of reception on the 90th calendar day following the Cut-off Date then (a) if "Assessed Value Payment Amount" is specified as applicable in the Issue Terms, the Issuer shall as soon as reasonably practicable following such date determine the Assessed Value Payment Amount (as defined below) and in respect of such Note shall pay the Assessed Value Payment Amount to the relevant Noteholder in lieu of delivery of the Entitlement as soon as reasonably practicable following determination of the Assessed Value Payment

## TERMS AND CONDITIONS OF THE NOTES

Amount, or (b) if "Assessed Value Payment Amount" is specified as "not applicable" in the Issue Terms, the Issuer's obligations in respect of such Note shall be discharged and no further liability in respect thereof shall attach to the Issuer. Upon payment of the Assessed Value Payment Amount, if applicable, the Issuer's obligations in respect of such Note shall be discharged. For the avoidance of doubt, in the circumstances described above, such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of a failure to give an Asset Transfer Notice in relation to a Delivery Date or the Credit Settlement Date, as applicable and no liability in respect thereof shall attach to the Issuer.

The Issuer (or any Delivery Agent on its behalf) shall, at the risk of the relevant Noteholder, deliver (or procure the delivery) or Deliver (or procure the Delivery) of the Entitlement for each Note, in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice. All costs, taxes, duties and/or expenses including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes ("**Expenses**") arising from the delivery or Delivery, as the case may be, of the Entitlement, in respect of such Notes shall be for the account of the relevant Noteholder and no delivery or Delivery of the Entitlement shall be made until all Expenses have been paid by the relevant Noteholder to the satisfaction of the Issuer.

### (iii) General

Notes held by the same Noteholder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Notes, provided that, the aggregate Entitlements in respect of the same Noteholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and in lieu thereof a cash adjustment calculated by the Calculation Agent in its sole and absolute discretion shall be paid to the Noteholder.

Following the Delivery Date or Credit Settlement Date in respect of a share forming part of the Entitlement, all dividends on the relevant shares to be delivered will be payable to the relevant party according to market practice assuming a sale of the shares has been executed on the Delivery Date or Credit Settlement Date. Any such dividends to be paid to a Noteholder will be paid to the account specified by the Noteholder in the relevant Asset Transfer Notice as referred to in General Condition 4(b)(i)(1).

For such period of time after delivery or Delivery of the Entitlement until the Delivery Date or the Credit Settlement Date (the "**Intervening Period**"), none of the Issuer, the Paying Agents, any Delivery Agent or any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities, obligations or Deliverable Obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities, obligations or Deliverable Obligations or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities, obligations or Deliverable Obligations.

## TERMS AND CONDITIONS OF THE NOTES

(iv) Settlement Disruption

The provisions of this General Condition 4(b)(i)(iv) apply to Notes other than Credit Linked Notes.

If, in the opinion of the Calculation Agent, delivery of the Entitlement in such commercially reasonable manner as the Calculation Agent has determined is not practicable by reason of a Settlement Disruption Event other than a Relevant Asset Redemption Event (each as defined below) having occurred and continuing on the Delivery Date, then the Delivery Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event, provided that, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by delivering the Entitlement using such other commercially reasonable manner as it may select and in such event the Delivery Date shall be such day as the Issuer deems appropriate in connection with delivery of the Entitlement in such other commercially reasonable manner. Following the occurrence of a Relevant Asset Redemption Event, the Entitlement Amount shall be deemed to be a cash amount equal to the proceeds of redemption of the Entitlement specified in the Issue Terms less (where "Unwind Costs" are specified as being applicable in the Issue Terms), an amount equal to all Unwind Costs (as defined below), as determined by the Calculation Agent and notified to the Noteholders in accordance with General Condition 13. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Delivery Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Delivery Date. For so long as delivery of the Entitlement is not practicable by reason of a Settlement Disruption Event other than a Relevant Asset Redemption Event, then in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Redemption Amount (as defined below) on the fifth Business Day following the date that notice of such election is given to the Noteholders in accordance with General Condition 12. Payment of the Disruption Cash Redemption Amount will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 12. The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12 that a Settlement Disruption Event has occurred. No Noteholder shall be entitled to any payment in respect of the relevant Note in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

For the purposes hereof:

**"Disruption Cash Redemption Amount"** means, in respect of any relevant Note, the fair market value of such Note (taking into account, where the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Assets) less the cost to the Issuer and/or its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion;

**"Hedging Arrangements"** means any transaction(s), asset(s) or trading position(s) the Issuer and/or any of its Affiliates or agents may enter into or hold from time to time (including, if applicable, on a portfolio basis) to hedge directly or indirectly and whether in whole or in part the credit or other price risk of the Issuer issuing and performing its obligations with respect to the Notes.

## TERMS AND CONDITIONS OF THE NOTES

**"Relevant Asset Redemption Event"** means, in respect of a Relevant Asset which is specified in the Issue Terms to be a debt obligation in the form of a bond, that the Relevant Asset has been redeemed for any reason, on or prior to the Maturity Date of the Notes;

**"Settlement Business Day"** has the meaning specified in the Issue Terms;

**"Settlement Disruption Event"** means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Relevant Asset(s) using the method specified in the Conditions and/or the Issue Terms; and

**"Unwind Costs"** means the amount specified in the Issue Terms (if any) or if "Standard Unwind Costs" are specified in the Issue Terms, an amount determined by the Calculation Agent equal to, in respect of each Note equal to the Calculation Amount, such Note's *pro rata* share of the aggregate sum of (without duplication) all costs (including loss of funding), fees, charges, expenses, tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Relevant Assets and the Notes and the related termination, settlement or re-establishment of any Hedging Arrangements.

(v) Failure to Deliver due to Illiquidity

The provisions of this General Condition 4(b)(i)(v) apply to the Notes other than Credit Linked Notes.

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

- (1) subject as provided elsewhere in the Conditions, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated date of redemption in accordance with this General Condition 4(b); and
- (2) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Failure to Deliver Redemption Amount (as defined below) on the fifth Business Day following the date that notice of such election is given to the Noteholders in accordance with General Condition 12. Payment of the Failure to Deliver Redemption Amount will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 12. The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12 that the provisions of this General Condition 4(b)(i)(v) apply.

For the purposes hereof, **"Failure to Deliver Redemption Amount"** means, in respect of any relevant Note, the fair market value of such Note (taking into account, the Relevant Assets comprising the Entitlement which have been duly delivered as provided above, the value of such Relevant Assets), less the cost to the Issuer and/or any of its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.

## TERMS AND CONDITIONS OF THE NOTES

(ii) Physical Delivery of Book Entry Notes

In respect of Book Entry Notes to be redeemed by delivery or, in the case of Credit Linked Notes, Delivery (as such term is defined in the Credit Linked Conditions) of the Entitlement(s), such delivery or Delivery, as the case may be, will be made in accordance with the rules and procedures of Interbolsa for physical delivery in force from time to time.

(iii) Variation of Settlement

If the Issue Terms indicate that the Issuer has an option to vary settlement in respect of the Notes, the Issuer may at its sole and unfettered discretion in respect of each such Note, elect not to pay the relevant Noteholders the Final Redemption Amount or to deliver or procure delivery of the Entitlement to the relevant Noteholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Final Redemption Amount on the Maturity Date to the relevant Noteholders, as the case may be. Notification of such election will be given to Noteholders in accordance with General Condition 12 and the provisions of Condition 4(b) (*Physical Delivery*) shall apply accordingly. Where so specified in the Issue Terms, the Issuer shall give not less than the minimum period of notice and/or not more than the maximum period of notice.

(iv) Issuer's Option to Substitute Assets or to pay the Alternate Cash Redemption Amount

Notwithstanding any provision of these General Conditions to the contrary, the Issuer may, in its sole and absolute discretion in respect of Notes to which this General Condition 4(b) applies, if the Calculation Agent determines (in its sole and absolute discretion) that the Relevant Asset or Relevant Assets, as the case may be, comprises assets which are not freely tradable, elect either (i) to substitute for the Relevant Asset or the Relevant Assets, as the case may be, an equivalent value (as determined by the Calculation Agent in its sole and absolute discretion) of such other assets which the Calculation Agent determines, in its sole and absolute discretion, are freely tradable (the "**Substitute Asset**" or the "**Substitute Assets**", as the case may be) or (ii) not to deliver or procure the delivery of the Entitlement or the Substitute Asset or Substitute Assets, to the relevant Noteholders, but in lieu thereof to make payment to the relevant Noteholder on the Delivery Date of an amount equal to the fair market value of the Entitlement on or about the time of so electing as determined by the Calculation Agent in its sole and absolute discretion by reference to such sources as it considers appropriate (the "**Alternate Cash Redemption Amount**"). Notification of any such election will be given to Noteholders in accordance with General Condition 12 and in the event that the Issuer elects to pay the Alternate Cash Redemption Amount such notice shall give details of the manner in which such amount shall be paid.

For purposes hereof, a "**freely tradable**" security shall mean (i) with respect to the United States, a security which is registered under the Securities Act or not restricted under the Securities Act and which is not purchased from the issuer of such security and not purchased from an affiliate of the issuer of such security or which otherwise meets the requirements of a freely tradable security for purposes of the Securities Act, in each case, as determined by the Calculation Agent in its sole and absolute discretion or (ii) with respect to any other jurisdiction, a security not subject to any legal restrictions on transfer in such jurisdiction.

(v) Rights of Noteholders and Calculations

None of the Issuer, the Calculation Agent, any Delivery Agent and the Agents shall have any responsibility for any errors or omissions in any calculation or determination in respect of the Notes.

The purchase of Notes does not confer on any holder of such Notes any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

(vi) For the purposes of the General Conditions:



## TERMS AND CONDITIONS OF THE NOTES

"**Affiliate**" means, in relation to any entity (the "**First Entity**"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "control" means ownership of a majority of the voting power of an entity; and

"**Assessed Value Payment Amount**" means, in respect of a Note, an amount determined by the Calculation Agent to be the fair market value of the assets comprised in the Entitlement in respect of such Note less the cost to the Issuer and/or its Affiliates of unwinding any underlying relating hedging arrangements, all as determined by the Issuer.

### 5. Redemption and Purchase

#### (a) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, each Note (other than a Credit Linked Note) will be redeemed by the Issuer at its relevant Final Redemption Amount in the Specified Notes Currency on the Maturity Date specified in the Issue Terms or, if (i) Physical Settlement is specified as applicable in the Issue Terms (each such Note a "**Physical Delivery Note**") or (ii) Variation of Settlement is specified as applicable in the Issue Terms and the Issuer exercises such option, by delivery of the Entitlement (as provided in General Condition 4(b) (*Physical Delivery*) above) on the Delivery Date. Notes may not be redeemed other than in accordance with these General Conditions and any applicable Annex.

The "**Issue Redemption Amount**" shall be an amount in respect of each Calculation Amount, equal to the Calculation Amount multiplied by: (i) the percentage or (ii) the Final Payout specified in the Issue Terms. For the avoidance of doubt, if the Final Payout is zero, no amount shall be payable on the final redemption of the Note.

The "**Entitlement**", in respect of each Calculation Amount, shall be a quantity of the Relevant Asset(s) (and any cash amount to be delivered as a result of rounding down) specified in the Issue Terms equal to the Entitlement Amount specified in the Issue Terms or, in the case of Credit Linked Notes, the Deliverable Obligations to be delivered pursuant to the Credit Linked Conditions. If the Relevant Asset is specified in the Issue Terms to be a debt obligation in the form of a bond (a "**Bond Asset**"), the Entitlement in respect of each Calculation Amount, shall be a nominal amount of such Bond Asset (and any cash amount to be delivered as a result of rounding down) specified in the Issue Terms having a face value equal to the Entitlement Amount specified in the Issue Terms. In respect of any Bond Asset (i) the Calculation Agent shall make such adjustments as it, in its sole and absolute discretion determines to be necessary, to the Entitlement to be so delivered, in order to take account of any redenomination, subdivision, consolidation, reclassification or any event having a dilutive or concentrative effect on the value of the Bond Asset; or (ii) if such Bond Asset is converted into or exchanged for other securities in accordance with the terms of any voluntary or involuntary exchange or restructuring programme, the Entitlement shall be a nominal amount of, in each case such converted securities or securities for which the Bond Asset has been exchanged having a face value equal to the Entitlement Amount. If the Calculation Agent determines in its sole and absolute discretion that such securities are not freely tradable, the provisions of General Condition 4(b)(iv) (*Issuer's Option to Substitute Assets or to pay the Alternate Cash Redemption Amount*) shall apply.

"**Relevant Asset(s)**" means the relevant asset(s) so specified in the Issue Terms.

#### (b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Note is not a Floating Rate Note) or on any Interest Payment Date (if the Note is a Floating Rate Note), on giving not less than the minimum period not more than the maximum period of notice specified in the applicable Issue Terms to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, and, in accordance with General Condition 12, the Noteholders (which notice shall be irrevocable), if:

## TERMS AND CONDITIONS OF THE NOTES

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in General Condition 6 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in General Condition 6) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date of the Notes; and
- (ii) such obligation to pay additional amounts 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.

Prior to the publication of any notice of redemption pursuant to this General Condition, the Issuer shall deliver to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, a certificate signed by two Directors of the Issuer (or if at the time that such certification is to be given the Issuer has only one Director, such certificate may be signed by such Director) 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, 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.

Each Note redeemed pursuant to this General Condition 5(b) will be redeemed at its Early Redemption Amount referred to in paragraph (g) below and no further interest will be payable since the immediately preceding Interest Payment Date or, if none, the Issue Date.

### (c) Redemption for Illegality

In the event that the Issuer determines in good faith that the performance of its obligations under the Notes or that any arrangements made to hedge its obligations under the Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than 10 nor more than 30 days' notice to the Noteholders in accordance with General Condition 12 (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at its Early Redemption Amount referred to in paragraph (g) below and no further interest will be payable since the immediately preceding Interest Payment Date or, if none, the Issue Date.

### (d) Redemption at the Option of the Issuer (Issuer Call)

If "**Issuer Call Option**" is specified as being applicable in the Issue Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the Issue Terms' notice to the Noteholders in accordance with General Condition 12 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and each at the Optional Redemption Amount(s) specified in, or determined on the Optional Redemption Valuation Date in the manner specified in, the Issue Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Higher Redemption Amount, in each case as may be specified in the Issue Terms.

### (e) Partial Redemption

In the case of a partial redemption of Notes other than Book Entry Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot without involving any part only of a Bearer Note, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as

## TERMS AND CONDITIONS OF THE NOTES

either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with General Condition 12 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with General Condition 12 at least five days prior to the Selection Date.

In case of partial redemption of Book Entry Notes the nominal amount of all outstanding Book Entry Notes will be reduced proportionally.

(f) **Redemption at the Option of the Noteholders (Noteholder Put)**

If "**Noteholder Put Option**" is specified as being applicable in the Issue Terms, upon the holder of any Note giving to the Issuer in accordance with General Condition 12 not less than the minimum period nor more than the maximum period of notice specified in the Issue Terms) (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem in whole but not in part, subject to and in accordance with the terms specified in the Issue Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined on the Optional Redemption Valuation Date specified in the Issue Terms, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of the Notes its holder must, if the Notes are in definitive form and held outside Euroclear and Clearstream, Luxembourg and/or Interbolsa, deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this General Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed. If a Note is in definitive bearer form, the Put Notice must be accompanied by the Note or evidence satisfactory to the Paying Agent concerned that the Note will, following delivery of the Put Notice, be held to its order or under its control. If a Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg and/or held in Interbolsa, to exercise the right to require redemption of the Note the holder of the Note must, within the notice period, give notice to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg and/or Interbolsa (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg and/or Interbolsa or any common depositary for Euroclear and Clearstream, Luxembourg to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg and/or Interbolsa from time to time, and, if a Note is a Bearer Note represented by a global Note, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent for notation accordingly. No deposit of Notes will be required in respect of Book Entry Notes.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, and/or Clearstream Luxembourg and/or Interbolsa given by a holder of any Note pursuant to this General Condition 5(f) shall be irrevocable except where prior to the due date of redemption an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this General Condition 5(f) and instead to declare such Note forthwith due and payable pursuant to General Condition 8.

## TERMS AND CONDITIONS OF THE NOTES

### (g) Early Redemption

For the purposes of paragraph (c), General Condition 8 and any circumstances where the Notes are to be redeemed prior to their Maturity Date at their Early Redemption Amount (as defined below), each Note will be redeemed at an amount (the "**Early Redemption Amount**") calculated as follows, unless specified otherwise in the Issue Terms, and no further interest will be payable since the immediately preceding Interest Payment Date or, if none, the Issue Date:

- (i) in the case of any Note, other than a Zero Coupon Note to which paragraph (ii) below applies, at an amount determined by the Calculation Agent on the second Business Day immediately preceding the due date for the early redemption of the Notes, representing such Note's *pro rata* share of (a) the fair market value of such Notes taking into account all factors which the Calculation Agent determines relevant (including, if applicable, any interest provision of the Note and the event which resulted in such redemption) less (b) all costs incurred by the Issuer or any of its Affiliates in connection with such early redemption, including, without limitation, any costs associated with unwinding any underlying related hedging arrangements, and all other expenses related thereto, as determined by the Calculation Agent in good faith and in a commercially reasonable manner; or
- (ii) in the case of a Zero Coupon Note the Early Redemption Amount of which is not linked to an index, a formula or other Reference Item at an amount (the "**Amortised Face Amount**") equal to the sum of:
  - (i) the Reference Price specified in the Issue Terms; and
  - (ii) the product of the Accrual Yield specified in the Issue Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period of less than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed in such incomplete month.

For the purposes of (i)(a) above where the relevant Notes provide for any minimum amount(s) of cash or assets to be payable or deliverable this shall be taken into account in determining the fair market value. However, the Calculation Agent shall reduce (i.e. discount) the value of such amounts in determining the fair market value to take into account the length of time remaining to the first possible date on which such amount(s) would otherwise have been payable or deliverable. Such discounting may be determined by reference to such information as the Calculation Agent may select which may include risk free rate(s).

The Calculation Agent shall also take into account appropriate values for any other amount which would or could otherwise have been payable or deliverable under the relevant Notes. This may include the element of the return on the Notes determined by reference to the relevant assets or reference basis(es) to which the Notes relate (i.e. a derivative element). The relevant value for this element of the Notes may be determined by reference to the cost at the relevant time of entering into a transaction to provide similar amounts.

### (h) Purchases

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Notes purchased as aforesaid may, at the option of the Issuer or its subsidiaries, as the case may be, be held, reissued, resold, cancelled or alternatively surrendered to any Paying Agent for cancellation.

## TERMS AND CONDITIONS OF THE NOTES

### (i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption, in the case of Book Entry Notes in accordance with the applicable regulations of Interbolsa). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together, in the case of Definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, save in the case of Book Entry Notes, and shall not be capable of being reissued or resold.

### (j) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the Issue Terms. In the case of Notes in definitive form, all instalments (other than the final instalment) will be paid by surrender of, in the case of a Definitive Bearer Note, the relevant Receipt (which must be presented with the Note to which it appertains) as more fully described in General Condition 4. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (g) above.

### (k) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (b), (d) or (f) above or upon its becoming due and payable as provided in General Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (g)(ii) of this General Condition 5 above as though the references therein to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and
- (ii) the fifth day after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Portuguese Paying Agent, as applicable, and notice to that effect has been given to the Noteholders in accordance with General Condition 12.

### (l) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this General Condition 5.

## 6. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment by or on behalf of, a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; and/or

## TERMS AND CONDITIONS OF THE NOTES

- (ii) presented for payment by or on behalf of, a holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other claim for exemption to the relevant tax authority; and/or
- (iii) presented for payment by or on behalf of, a holder in respect of whom the information and documentation (which may include certificates) required in order to comply with the special regime approved by Decree-Law No. 193/2005, of 7 November 2005 as amended from time to time, and any implementing legislation, is not received before the Relevant Date; and/or
- (iv) presented for payment by or on behalf of, a holder (A) in respect to whom the information and documentation required by Portuguese law in order to comply with any applicable tax treaty is not received by the Issuer or by the Portuguese Paying Agent or the Portuguese Paying Agent, as applicable, directly from the Noteholders before the date by which such documentation is to be provided to the Issuer under Portuguese law, and (B) who is resident in one of the contracting states; and/or
- (v) presented for payment by or on behalf of, a Noteholder or Couponholder resident in a tax haven jurisdiction as defined in Ministerial Order No. 150/2004, of 13 February 2004 (except for jurisdictions with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force), as amended from time to time, with the exception of central banks and governmental agencies of those blacklisted jurisdictions; and/or
- (vi) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4(a)(v)); and/or
- (vii) where such withholding or deduction is required to be made pursuant to (A) Sections 1471 through 1474 of the Code or any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto or (B) Section 871(m) of the Code; and/or
- (viii) presented for payment into an account held on behalf of undisclosed beneficial owners where such beneficial owners are not disclosed for purposes of payment and such disclosure is required by law.

In these General Conditions:

- (i) "**Tax Jurisdiction**" means Portugal or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the issuer becomes subject in respect of payments made by the Issuer of principal and interest on the Notes; and
- (ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Portuguese Paying Agent, as applicable, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with General Condition 12.

### 7. Redenomination

#### (a) Redenomination

Where redenomination is specified in the Issue Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent or the Portuguese Paying Agent, as applicable, Euroclear and Clearstream, Luxembourg and at least 30

## TERMS AND CONDITIONS OF THE NOTES

days' prior notice to the Noteholders in accordance with General Condition 12, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Notes Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent or the Portuguese Paying Agent, as applicable, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant Noteholder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations agreed at the time by the Issuer and the Principal Paying Agent or the Portuguese Paying Agent, as applicable;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Notes Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Notes Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Notes Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on a Fixed Interest Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit (defined above) of the relevant Specified Notes Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) if the Notes are Floating Rate Notes, the Issue Terms will specify any relevant changes to the provisions relating to interest; and

## TERMS AND CONDITIONS OF THE NOTES

- (viii) such other changes shall be made to these General Conditions as the Issuer may decide, after consultation with the Principal Paying Agent or the Portuguese Paying Agent, as applicable, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

### (b) Definitions

In these General Conditions, the following expressions have the following meanings:

**"Established Rate"** means the rate for the conversion of the Specified Notes Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 1091(4) of the Treaty;

**"euro"** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**"Redenomination Date"** means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Notes Currency first participates in the third stage of European economic and monetary union; and

**"Treaty"** means the Treaty establishing the European Community, as amended by the Treaty on European Union as amended by the Treaty of Amsterdam.

## 8. Events of Default

If any one or more of the following events (each an **"Event of Default"**) shall occur:

- (i) default is made for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them after the due date therefor; or
- (ii) the Issuer fails to perform or observe any of its other obligations in respect of the Notes or (in the case of Book Entry Notes) the Instrument and ((in the case of Notes other than Book Entry Notes) except where such default is not capable of remedy where no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or (in the case of Notes other than Book Entry Notes) such longer period) after notice has been given to the Issuer requiring the same to be remedied; or
- (iii) the repayment of any indebtedness owing by the Issuer is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any indebtedness or in the honouring of any guarantee or indemnity in respect of any indebtedness provided that no such event referred to in this sub paragraph (iii) shall constitute an Event of Default unless the indebtedness whether alone or when aggregated with other indebtedness relating to all (if any) other such events which shall have occurred shall exceed USD 25,000,000 (or its equivalent in any other currency or currencies) or, if greater, an amount equal to 1% of the Issuer's Shareholders' Funds (as defined below); or
- (iv) any order shall be made by any competent court or an effective resolution passed for the winding-up or dissolution of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction previously approved by an Extraordinary Resolution of the Noteholders); or



## TERMS AND CONDITIONS OF THE NOTES

- (v) the Issuer shall cease to carry on the whole or substantially the whole of its business (other than for the purpose of an amalgamation, merger or reconstruction previously approved by an Extraordinary Resolution of the Noteholders); or
  - (vi) the Issuer shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally; or
  - (vii) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or in relation to the whole or a substantial part of its assets or a temporary manager of the Issuer is appointed by the Bank of Portugal or an encumbrancer shall take possession of the whole or a substantial part of the assets of the Issuer, or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of the assets of the Issuer and in any of the foregoing cases it or he shall not be discharged within 60 days; or
  - (viii) the Issuer sells, transfers, lends or otherwise disposes of the whole or a substantial part of its undertaking or assets (including shareholdings in its subsidiaries or associated companies) and such disposal is substantial in relation to the assets of the Issuer and its subsidiaries as a whole, other than selling, transferring, lending or otherwise disposing on an arm's length basis,
- then,
- (A) in respect of Notes other than Book Entry Notes, the holder of any note may give written notice to the Issuer at the specified office of the Principal Paying Agent that the Notes are, and they shall accordingly become, immediately due and repayable at their Early Redemption Amount (as described in Condition 5(f)) together with accrued interest; and
  - (B) in respect of Book Entry Notes, any Book Entry Noteholder may give notice to the Issuer and to the Portuguese Paying Agent at their respective specified offices, effective upon the date of receipt thereof by the Portuguese Paying Agent, that the Book Entry Notes held by such Book Entry Noteholder(s) are, and they shall accordingly become, immediately due and repayable at their Early Redemption Amount (as described in Condition 5(f)) together with accrued interest (as provided in the Instrument)).

As used above, "**Issuer's Shareholders' Funds**" means, at any relevant time, a sum equal to the aggregate of the Issuer's shareholders' equity as certified by the Directors of the Issuer by reference to the latest audited consolidated financial statements of the Issuer.

### 9. Prescription

Claims for payment of principal in respect of the Notes shall be prescribed upon the expiry of 10 years from the due date thereof and claims for payment of interest (if any) in respect of the Notes shall be prescribed upon the expiry of five years, from the due date thereof. There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this General Condition 9 or General Condition 4 above.

### 10. Replacement of Notes, Receipts, Coupons and Talons

If any Bearer Note (including any Global Note), Receipt, Coupon or Talon is mutilated, defaced, stolen, destroyed or lost, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the costs incurred in connection therewith and on such terms as to evidence and indemnity, as the Issuer and the Principal Paying Agent may require. Mutilated or defaced Bearer Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued. Cancellation and replacement of Notes,

## TERMS AND CONDITIONS OF THE NOTES

Receipts, Coupons or Talons shall be subject to compliance with such procedures as may be required under any applicable law and subject to any applicable stock exchange requirements.

### 11. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

### 12. Notices

Subject as provided in the following paragraphs, all notices regarding the Bearer Notes will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or any other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all relevant newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg be substituted for such publication in a newspaper the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes, and in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority), so require, such notice will be published in a daily newspaper of general circulation in the place or places as required by that stock exchange or any other relevant authority by the Issuer. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder of a Bearer Note shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, may approve for this purpose.

The Issuer shall comply with Portuguese law in respect of notices relating to Book Entry Notes.

### 13. Meetings of Noteholders, Modification and Waiver

The Agency Terms (in the case of Bearer Notes) and the Instrument (in the case of Book Entry Notes) contain provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the Notes, the Receipts, the Coupons or any provisions of the Agency Terms. A meeting convened pursuant to the provisions of the Agency Terms, may be convened by the Issuer or if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding, shall be convened by the Issuer. A meeting convened pursuant to the provisions of the Instrument, may be convened by the Issuer or upon requisition by Book Entry Noteholders holding not less than one-tenth in nominal amount of the Book Entry Notes for the time being remaining outstanding. At a meeting of the holders of the Notes for the purpose of, amongst others, approving a modification or amendment to, or obtaining a waiver of any covenant or condition set forth in the Notes, the Receipts, the Coupons or the Agency Terms or the Instrument, persons entitled to vote a majority in aggregate nominal amount of the Notes at the time outstanding shall constitute a quorum. In the absence of a quorum at any such meeting that is not a meeting convened upon the requisition of Noteholders, within 30

## TERMS AND CONDITIONS OF THE NOTES

minutes of the time appointed for such meeting, the meeting may be adjourned for a period of not less than 14 days, in the absence of a quorum any meeting that is convened on the requisition of Noteholders shall be dissolved; the persons entitled to vote a majority in aggregate nominal amount of the Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid, any Extraordinary Resolution to, amongst others, modify or amend any of the Notes, the Receipts, the Coupons or any provisions of the Agency Terms or the Instrument (other than those items specified in General Condition 13(i) and (ii)), or to waive compliance with, any of the terms and conditions of the Notes shall be effectively passed if passed by a majority consisting of at least 75 per cent. of the votes cast.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification of the Notes, the Receipts, the Coupons or the Agency Terms which is not materially prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Terms which is of a formal, minor or technical nature or to cure, correct or supplement any defective provision or is made to correct a manifest or proven error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders, in accordance with General Condition 12 as soon as practicable thereafter.

### 14. Agent and Paying Agent

The names of the initial Agents and the other Initial Paying Agents their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any issue of Notes, the names of such Paying Agent(s) will be specified in the applicable Issue Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be a Principal Paying Agent;
- (ii) so long as the Notes are listed on any stock exchange or admitted to listing by any relevant authority, there will at all times be a Paying Agent (which may be the Principal Paying Agent) with a specified office in such place as may be required by the rules and regulations of such other stock exchange or other relevant authority; and
- (iii) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in General Condition 4(a). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with General Condition 12, provided that no such variation, termination, appointment or changes shall take effect (except in the case of insolvency) within 7 days before any due date for the payment of any Note or any related Receipt or Coupon. Notice of all changes in the identities or specified offices of any Agent will be given promptly by the Issuer to Noteholders in accordance with General Condition 12.

Banco Comercial Português, S.A. will be the Paying Agent in Portugal in respect of Book Entry Notes.

## TERMS AND CONDITIONS OF THE NOTES

In acting under the Agency Terms, the Agent will act solely as agents of each of the Issuer and do not assume any obligations or relationship of agency or trust to or with the Noteholders, Receiptholders or Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders, Receiptholders and Couponholders, to repay Notes and pay interest thereon) funds received by the Principal Paying Agent for the payment of the principal of or interest on the Notes shall be held by it in trust for the Noteholders and/or Receiptholders or Couponholders until the expiration of the relevant period of prescription under General Condition 9. The Issuer will agree to perform and observe the obligations imposed upon it under the Agency Terms. The Agency Terms contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer and any of its subsidiaries without being liable to account to the Noteholders, Receiptholders or the Couponholders for any resulting profit.

All calculations, determinations, decisions, selections, elections and opinions made by the Calculation Agent shall be made in its discretion in accordance with the Conditions of the Notes, having regard in each case to any criteria stipulated therein, and shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the other Agents and the Noteholders.

In exercising its discretion as described above, the Calculation Agent may take into account such factors as it determines appropriate in each case, which may include, in particular, any circumstances or events which have or may have a material impact on the hedging arrangements (as described below) entered into by the Issuer and/or any of its Affiliates and/or any other relevant party (each a "**Relevant Party**") in respect of the Notes. The exercise of the Calculation Agent's discretion in respect of the Notes as provided herein is necessary because certain circumstances or events (for example a material modification or disruption to a relevant asset(s) to which the Notes are linked) may occur subsequent to the issuance of the Notes which may materially affect the costs to the Relevant Party of maintaining the Notes or any relevant hedging arrangements. Such circumstances or events may not have been reflected in the pricing of the Notes. In addition, as a result of certain circumstances or events (e.g. unavailability or disruption to any reference source) it may no longer be reasonably practicable or otherwise appropriate for certain valuations in respect of any relevant asset(s) to which the Notes are linked or otherwise in connection with the Notes to be made, thus making it necessary for the Calculation Agent to exercise its discretion in such a case.

### 15. Substitution of the Issuer

The Issuer (or any previous substitute under this Condition) may, without the consent of the Noteholders, be replaced and substituted by a wholly-owned Subsidiary of the Issuer (or of any previous substitute under this Condition) as the principal debtor in respect of the Notes, subject to the Notes being unconditionally and irrevocably guaranteed by Banco Comercial Português S.A. or by Banco Comercial Português S.A. acting through its Macao branch.

### 16. Contracts (Rights of Third Parties) Act 1999

The Notes shall not confer any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

### 17. Governing Law and Submission to Jurisdiction

#### (a) Governing Law

The Agency Terms, the Deed of Covenant, the Instrument, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Terms, the Deed of Covenant, the Instrument, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law save that, with respect to Book Entry Notes only, the form ("*representação formal*") and the transfer of the Notes, creation of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law.

## TERMS AND CONDITIONS OF THE NOTES

### (b) **Submission to Jurisdiction**

- (i) Subject to General Condition 17(b)(iii) of the "*Terms and Conditions of the Notes*" below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a "**Dispute**") and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (ii) For the purposes of this General Condition 17, the Issuer and any Noteholders, Receiptholders or Couponholders in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (iii) This General Condition 17(b)(iii) is for the benefit of the Noteholders, Receiptholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### (c) **Appointment of Process Agent**

The Issuer irrevocably appoints the London representative office of Banco Comercial Português, S.A. at 3<sup>rd</sup> Floor, 63 Queen Victoria Street, London EC4V 4UA (the "**Process Agent**") as its agent for service of process in any proceedings before the English courts in relation to any Dispute and undertakes that, in the event of the Process Agent ceasing to act, it will appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

### ANNEX 1

#### ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*If specified as applicable in the Issue Terms, the terms and conditions applicable to payouts shall comprise the General Conditions and the additional terms and conditions for payouts set out below (the "**Payout Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Issue Terms and subject to completion in the Issue Terms. In the event of any inconsistency between (i) the General Conditions and/or any other Annex and (ii) the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or any other Annex and/or the Payout Conditions and (ii) the Issue Terms, the Issue Terms shall prevail.*

#### 1 Structured Notes

##### (a) Use of Payout Conditions

These Payout Conditions set out the methodology for determining various payouts and product features in respect of the Notes. The applicable text shown in Payout Conditions 2, 3, 4 and 5 below will be extracted, included and completed at the paragraph indicated in the Issue Terms on the basis that (i) applicable text (including, where appropriate, section headings and terms defined in Payout Condition 5 which are required to be completed) from the relevant Payout Condition will be set out at the paragraph indicated or required in the Issue Terms and (ii) inapplicable text (and any terms defined in Payout Condition 5 which are not required to be completed) need not be included.

##### (b) Use of Terms

Terms in these Payout Conditions or in the Issue Terms may be attributed a numerical or letter suffix value when included in the Issue Terms. Without limitation, the suffix can be denoted as "j", "k", "m", "q", "n", "t", "i", "A", "B", "C" or "1", "2", "3" etc. and the term may be completed on the basis of the number or numbers represented by j, k, m, q, n, t, i, "A", "B", "C" or 1, 2, 3 etc. as chosen at the time of an issue of Notes. Moreover suffixes may be placed in series as necessary, such as "A(1)", "B(1)", "C(1)" etc. When applicable and in order to improve the reading and intelligibility of the formula(e) in the Issue Terms, the applicable suffixes may be included, completed and the relation between the term and the suffix will be explained and may be presented as a table, if necessary, in the Issue Terms. A term in Payout Condition 5 may be included in the applicable Issue Terms section more than once if there is more than one number represented by the term n, t or i. Conjunctions (e.g. or, and, but) and punctuation may also be included where appropriate. Suffixes may denote that a relevant term relates to an asset, item or date associated with that suffix.

The constituent parts of any formula(e) or term(s) used in these Payout Conditions and that are to be specified in the Issue Terms may be replaced in the Issue Terms by the prescribed amount, level, or percentage or other value or term (the "**Variable Data**"). If a Variable Data has a value of either 0 (zero) or 1 (one), or is not applicable in respect of the relevant formula(e), then the related formula(e) may be simplified, for the purpose of improving the reading and intelligibility in the formula(e) in the Issue Terms, by deleting such Variable Data.

##### (c) Note Types

The Issue Terms will specify the Interest Basis applicable in respect of a Note. Such Notes are, where the Interest Basis is: Index Linked Interest, an "**Index Linked Interest Note**"; Equity Linked Interest, an "**Equity Linked Interest Note**"; Inflation Linked Interest, an "**Inflation Linked Interest Note**"; Reference Item Rate Linked Interest, a "**Reference Item Rate Linked Interest Note**"; Fund Linked Interest, a "**Fund Linked Interest Note**"; Foreign Exchange (FX) Rate Linked Interest, a "**Foreign Exchange (FX) Rate Linked Interest Note**" or where a combination of any two or more Interest Bases, a "**Combination Interest Note**" (each, a "**Reference Item Linked Interest Note**").

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

The Issue Terms will specify the Redemption Basis applicable in respect of a Note. Such Notes are, where the Redemption Basis is: Index Linked Redemption, an "**Index Linked Redemption Note**"; Equity Linked Redemption, an "**Equity Linked Redemption Note**"; Inflation Linked Redemption, an "**Inflation Linked Redemption Note**"; Reference Item Rate Linked Redemption, a "**Reference Item Rate Linked Redemption Note**"; Fund Linked Redemption, a "**Fund Linked Redemption Note**"; Credit Linked Redemption, a "**Credit Linked Redemption Note**" or "**Credit Linked Note**"; Foreign Exchange (FX) Rate Linked Redemption, a "**Foreign Exchange (FX) Rate Linked Redemption Note**" or where a combination of any two or more Redemption Bases, a "**Combination Redemption Note**" (each, a "**Reference Item Linked Redemption Note**").

## 2 Interest Rates Payout Formula(e) and Final Payout Formula(e) for Structured Notes

### 2.1 Interest Rate Payout Formula(e)

*(For insertion and completion into Paragraph 16(ix) (Rate of Interest) in the Issue Terms. Note: where a Rate of Interest is a fixed or floating rate, paragraph 17 or 18 as applicable, in the Issue Terms should be completed.)*

(i) "**Rate of Interest (i)**"

Coupon Value(i)

(ii) "**Rate of Interest (ii)**"

Rate(i)

(iii) "**Rate of Interest (iii)**"

Leverage(i) \* Rate(i) + Spread(i)

(iv) "**Rate of Interest (iv)**"

Leverage(i) \* Reference Spread(i) + Spread(i)

(v) "**Rate of Interest (v)**"

Previous Interest(i) + Spread(i)

(vi) "**Rate of Interest (vi)**"

Previous Interest(i) + Leverage(i) \* Reference Item Rate(i) + Spread(i)

(vii) "**Rate of Interest (vii)**"

Leverage(i) \* (Coupon Value(i) + Spread(i)) + Constant Percentage(i)

(viii) "**Rate of Interest (viii)**"

Constant Percentage(i) + Max [Floor Percentage; Leverage \* (Coupon Value(i) – Strike Percentage)]

(ix) "**Rate of Interest (ix)**"

Constant Percentage(i) + Min [Cap Percentage; Max [Floor Percentage; Leverage \* (Coupon Value(i)) – Strike Percentage]]

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

(x) **"Rate of Interest" (x)" – "Range Accrual"**

*(insert the following where interest accrual is calculated based on the number of days on which the Range Accrual Coupon Condition or Range Accrual Countdown Condition is satisfied)*

$$\text{Leverage}(i) * (\text{Rate}(i) + \text{Spread}(i)) * n/N$$

*(insert the following where interest accrual is calculated based on the number of days on which the Range Accrual Coupon Condition or Range Accrual Countdown Condition is satisfied but subtracting the number of days on which the Range Accrual Condition is not satisfied)*

$$\text{Leverage}(i) * (\text{Rate}(i) + \text{Spread}(i)) * \text{Max}[0; (2n-N)/N]$$

(xi) **"Rate of Interest (xi)" – "Digital One Barrier":**

- (A) If the Coupon Barrier Condition is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]

[Constant Percentage [1]] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B)]; or*

- (B) Otherwise:

[zero][Constant Percentage [2]] *[select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A)].*

(xii) **"Rate of Interest (xii)" – "Strike Podium n Barriers":**

- (A) If Coupon Barrier Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]

[Constant Percentage 1] *[select and insert the Interest Rate Payout formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)], or*

- (B) If Coupon Barrier Condition [2] is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period] and Coupon Barrier Condition [1] is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][and was not satisfied in any previous Interest Period]:

[Constant Percentage 2] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A)]; or*

- (C) Otherwise:

[zero] [Constant Percentage 3] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive) for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (C) may be different from the Interest Rate Payout Formulae for paragraphs (A) and (B) respectively].*



## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*(The above provisions of paragraph (B) may be duplicated in case more than two Coupon Conditions apply)*

(xiii) **"Rate of Interest (xiii)" – "Ramses"**

(A) If Barrier Count Condition is satisfied in respect of a ST Coupon Valuation Date:

$$\text{Rate}(i) + \text{SumRate}(i);$$

(B) Otherwise, zero.

(xiv) **"Rate of Interest (xiv)" – "Mozart"**

$$\text{Rate}(i) * n$$

(xv) **"Rate of Interest (xv)" – "Mozart Variable"**

$$\text{Rate}(n)$$

(xvi) **"Rate of Interest (xvi)" – "Call with Individual Caps"**

$$\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i, k)]] - \text{StrikePercentage}(i)) \right] + \text{ConstantPercentage}(i)$$

(xvii) **"Rate of Interest (xvii)" – "Cappuccino"**

$$\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{CappuccinoBarrierValue}(i, k)] - \text{StrikePercentage}(i)) \right] + \text{ConstantPercentage}(i)$$

(xviii) **"Rate of Interest (xviii)" – "Best Replace"**

*(Insert the following if local floor is applicable)*

$$\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * \text{Max}[\text{FloorPercentage}(i); \text{ModifiedValue}(i, k)] - \text{StrikePercentage}(i)) \right]$$

*(Insert the following if local floor is not applicable)*

$$\text{Max} \left[ \text{MinCoupon}(i); \sum_{k=1}^K (\text{RIWeighting}(k) * (\text{ModifiedValue}(i, k) - \text{StrikePercentage}(i))) \right]$$

(xix) **"Rate of Interest (xix)" – "Cliquet"**

$$\text{Max} \left[ \sum_{i=1}^T (\text{Max} [\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}, \text{FloorPercentage}1) \right]$$

(xx) **"Rate of Interest (xx)" – "Cliquet Digital"**

(A) If Cliquet Digital Performance is greater than Constant Percentage 1:

Cliquet Digital Performance; or

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

- (B) If Cliquet Digital Performance is greater than or equal to Constant Percentage 2 and is less than or equal to Constant Percentage 1:

Constant Percentage 1; or

- (C) If Cliquet Digital Performance is less than Constant Percentage 2:

Constant Percentage 2.

(xxi) **"Rate of Interest (xxi)" – "Cliquet Digital Lock-in"**

$$\text{Max} \left[ \text{FloorLockin}, \sum_{i=1}^T (\text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] - \text{StrikePercentage}, \text{FloorPercentage1} \right]$$

(xxii) **"Rate of Interest (xxii)" – "Digital Coupon One Condition"**

- (A) If Digital Coupon Condition is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]:

Rate A(i); or

- (B) Otherwise:

Rate B(i).

(xxiii) **"Rate of Interest (xxiii)" – "Digital Coupon Two Conditions"**

- (A) If Digital Coupon Condition 1 is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]:

Rate A(i); or

- (B) If Digital Coupon Condition 1 is not satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period], but Digital Coupon Condition 2 is satisfied in respect of such [ST Coupon Valuation Date][ST Coupon Valuation Period]:

Rate B(i); or

- (C) Otherwise:

Rate C(i).

(xxiv) **"Rate of Interest (xxiv)" – "TARN"**

- (A) In respect of each Interest Period other than the Target Final Interest Period:

*[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]; and*

- (B) In respect of the Target Final Interest Period and provided that an Automatic Early Redemption Event has not occurred:

Final Interest Rate.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

(xxv) **"Rate of Interest (xxv)" – "Ratchet"**

Min [Cap Percentage; Max [Previous Interest(i); Rate(i)]]

(xxvi) **"Rate of Interest (xxvi)" – "Multiplier"**

*(insert the following if a cap is applicable)*

Constant Percentage + Min [Cap Percentage; Max [Floor Percentage, Multiplier Number \* Constant Percentage 2]]

*(insert the following if a cap is not applicable)*

Constant Percentage + Max [Floor Percentage, Multiplier Number \* Constant Percentage 2]

(xxvii) **"Rate of Interest (xxvii)" – "Count Barrier Condition"**

- (A) If, in respect of [a] ST Coupon Valuation Date, the Barrier Count Condition has been satisfied [specify][or more][or less] times:

[Constant Percentage 1] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]; (for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B)); or*

- (B) Otherwise:

[zero][Constant Percentage 2] *[select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]; (for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A))*

(xxviii) **"Rate of Interest (xxviii)" – "Podium"**

SumRate(n)

(xxix) **"Rate of Interest (xxix)" – "Compensation"**

- (A) If, in respect of the [ST Coupon Valuation Date][ST Coupon Valuation Period] falling on i=[specify [and i=[specify]], the Calculation Agent determines that the sum of the Rate of Interest (specify name of the applicable Rate of Interest) above for such [ST Coupon Valuation Date][ST Coupon Valuation Period] [and the [specify] preceding [ST Coupon Valuation Dates][ST Coupon Valuation Periods]] is [zero][specify percentage] then for each such [ST Coupon Valuation Date][ST Coupon Valuation Period] the Rate of Interest shall be:

[Constant Percentage 1] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)]; (for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B)); or*

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

- (B) Otherwise, for each such [ST Coupon Valuation Date][ST Coupon Valuation Period] the Rate of Interest shall be:

[zero][Constant Percentage [2]] *[select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive)] (for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A))*

(xxx) **"Rate of Interest (xxx)" – "Dual Currency Digital Coupon"**

- (A) If the Coupon Barrier Condition is satisfied in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][or was satisfied in any previous Interest Period]

[Constant Percentage [1]] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B)]; or*

- (B) Otherwise:

[zero][Constant Percentage [2]] *[select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A)] [and the Settlement Exchange Rate Provisions shall apply with respect to the payment of the corresponding Interest Amount].*

(xxxi) **"Rate of Interest (xxxi)" – "Lock-in Coupon Barrier":**

- (A) If the Coupon Barrier Condition is satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] and the Lock-in Coupon Barrier Condition has not been satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period]:

[Constant Percentage [1]] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (A) may be different from the Interest Rate Payout Formula for paragraph (B) or (C)]; or*

- (B) If the Coupon Barrier Condition is not satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period] and the Lock-in Coupon Barrier Condition has not been satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period]:

[zero][Constant Percentage [2]] *[select and insert the Interest Rate Payout Formula from one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (B) may be different from the Interest Rate Payout Formula for paragraph (A) or (C)]; or*

- (C) If the Lock-in Coupon Barrier Condition is satisfied in respect of the relevant [ST Coupon Valuation Date][ST Coupon Valuation Period]:

[Constant Percentage [3]] *[select and insert the Interest Rate Payout Formula from any one of "Rate of Interest (i)" to "Rate of Interest (x)" (inclusive); for the avoidance of doubt the selected Interest Rate Payout Formula for this paragraph (C) may be different from the Interest Rate Payout Formula for paragraph (A) or (B)].*

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

### 2.2 Final Payouts Formula(e)

For insertion and completion into Paragraph 29 (*Final Payout*) in the Issue Terms

(i) **"Redemption (i)"**

FR Value

(ii) **"Redemption (ii)" – "Call"**

*(Insert the following if no cap or floor is applicable)*

Constant Percentage + (Leverage \* (FR Value – Strike Percentage)) \* RI FX Rate

*(Insert the following if a floor is applicable)*

Constant Percentage + (Leverage \* Max [Call Floor Percentage; Additional Leverage \* (FR Value - Strike Percentage)]) \* RI FX Rate

*(Insert the following if a cap is applicable)*

Constant Percentage + (Leverage \* Min [Call Cap Percentage; Additional Leverage \* (FR Value – Strike Percentage)]) \* RI FX Rate

*(Insert the following if a cap and a floor are applicable)*

Constant Percentage + (Leverage \* Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage \* (FR Value – Strike Percentage) + Call Spread Percentage]]) \* RI FX Rate

(iii) **"Redemption (iii)" – "Put"**

*(Insert the following if no cap or floor is applicable)*

Constant Percentage + (Leverage \* (Strike Percentage – FR Value)) \* RI FX Rate

*(Insert the following if a floor is applicable)*

Constant Percentage + (Leverage \* Max [Put Floor Percentage; Additional Leverage \* (Strike Percentage – FR Value)]) \* RI FX Rate

*(Insert the following if a cap is applicable)*

Constant Percentage + (Leverage \* Min [Put Cap Percentage; Additional Leverage \* (Strike Percentage – FR Value)]) \* RI FX Rate

*(Insert the following if a cap and a floor are applicable)*

Constant Percentage + (Leverage \* Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage – Put Leverage \* (Strike Percentage – FR Value)]) \* RI FX Rate

(iv) **"Redemption (iv)"**

Call Constant Percentage + (Leverage \* (Min [Call Cap Percentage; Max [Call Floor Percentage; Call Leverage \* FR Value + Call Strike Percentage]])) \* RI FX Rate + (Additional Leverage \* (Min [Put Cap Percentage; Max [Put Floor Percentage; Put Strike Percentage – Put Leverage \* FR Value]])) \* RI FX Rate

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

(v) **"Redemption (v)" – "Multiplier"**

Constant Percentage 1 + (Constant Percentage 2 + Multiplier Number \* Constant Percentage 3) \*  
FR Value

(vi) **"Redemption (vi)" – "Digital":**

- (A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:

[Constant Percentage 1][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive)*][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

- (B) Otherwise:

[Constant Percentage 2][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive); for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A)*][no Final Redemption Amount will be payable and Physical Delivery will apply].

(vii) **"Redemption (vii)" – "Digital with Knock-in"**

- (A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred:

[Constant Percentage 1][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)*][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

- (B) Otherwise:

[Constant Percentage 2][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)*](for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A))[no Final Redemption Amount will be payable and Physical Delivery will apply].

(viii) **"Redemption (viii)" – "Strike Podium n Conditions":**

- (A) If the Final Redemption Condition [1] is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:

[Constant Percentage 1][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)*][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

- (B) If the Final Redemption Condition [2] is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and Final Redemption Condition [1] is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period][and no Knock-in Event has occurred]:

[Constant Percentage 2][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive); for the avoidance of doubt the*

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A))*[no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(C) Otherwise:

[Constant Percentage 3][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive); for the avoidance of doubt the selected Final Payout Formula for this paragraph (C) may be different from the Final Payout Formula for any of the preceding paragraphs*)]no Final Redemption Amount will be payable and Physical Delivery will apply].

*(The above provisions of (B) may be duplicated in case more than two Final Redemption Conditions apply)*

(ix) **"Redemption (ix)" – "Versus Standard"**

(A) If no Knock-in Event has occurred:

[Constant Percentage 1][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)*] [no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) If a Knock-in Event has occurred:

[Min [Constant Percentage 2; FR Value]][Constant Percentage 2][no Final Redemption Amount will be payable and Physical Delivery will apply].

(x) **"Redemption (x)" – "Versus"**

(A) If no Knock-in Event has occurred:

[Constant Percentage 1][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive)*][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) If a Knock-in Event has occurred:

Max [Constant Percentage 2 + Leverage \* Option; 0][Constant Percentage 2]  
[no Final Redemption Amount will be payable and Physical Delivery will apply].

(xi) **"Redemption (xi)" – "Knock-in Standard"**

(A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period]:

[100% + FR Additional Rate][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive)*][no Final Redemption Amount will be payable and Physical Delivery will apply]; or

(B) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and no Knock-in Event has occurred:

[100% + Coupon Airbag Percentage][*select and insert the Final Payout Formula from any one of "Redemption (i) to "Redemption (v) – Multiplier" (inclusive); for the avoidance of*

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A)]*[no Final Redemption Amount will be payable and Physical Delivery will apply]; *or*

- (C) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period] and a Knock-in Event has occurred:

[Min [Constant Percentage; FR Value]][Constant Percentage 2] *[select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive); for the avoidance of doubt the selected Final Payout Formula for this paragraph (C) may be different from the Final Payout Formula for any of the preceding paragraphs]*[no Final Redemption Amount will be payable and Physical Delivery will apply].

(xii) **"Redemption (xii)" – "Twin Win"**

*(Insert the following if a cap is not applicable)*

- (A) If a Knock-out Event has occurred:

[Constant Percentage 1 + (Max [Floor Percentage; Lever Down \* FR Value]) \* RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]; *or*

- (B) If no Knock-out Event has occurred:

[Constant Percentage 2 + (Lever Up 1 \* Max [Strike Percentage – FR Value; Floor Percentage 1]) \* RI FX Rate + (Lever Up 2 \* Max [FR Value – Strike Percentage 1; Floor Percentage 2]) \* RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]

*(Insert the following if a cap is applicable)*

- (A) If a Knock-out Event has occurred:

[Constant Percentage + (Max [Floor Percentage; Lever Down \* FR Value]) \* RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply]; *or*

- (B) If no Knock-out Event has occurred:

[Constant Percentage 2 + (Lever Up 1 \* Max [Strike Percentage – FR Value; Floor Percentage 1]) \* RI FX Rate + (Lever Up 2 \* Min [Cap Percentage; Max [FR Value – Strike Percentage 1; Floor Percentage 2]]) \* RI FX Rate][no Final Redemption Amount will be payable and Physical Delivery will apply].

(xiii) **"Redemption (xiii)" – "Himalaya"**

$$ConstantPercentage1 + Leverage * Max \left[ \frac{1}{TotalM} * \sum_{i=1}^M Max[BestLockValue(i) - StrikePercentage(i); LocalFloorPercentage(i)]; 0 \right]$$

(xiv) **"Redemption (xiv)" – "Booster"**

- (A) If the Final Redemption Condition is satisfied in respect of a ST Redemption Valuation Date[in the][ST Redemption Valuation Period]:

Constant Percentage 1 + Max [0%; Booster Percentage \* (FR Value – Strike Percentage)]; *or*



## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

- (B) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][in the][ST Redemption Valuation Period] and no Knock-in Event has occurred:
- Constant Percentage 2; or
- (C) If the Final Redemption Condition is not satisfied in respect of a [ST Redemption Valuation Date][in the] [ST Redemption Valuation Period] and a Knock-in Event has occurred:
- Min [Constant Percentage 3; FR Value] [no Final Redemption Amount will be payable and Physical Delivery will apply]
- (xv) **"Redemption (xv)" – "Bonus"**
- (A) If no Knock-in Event has occurred:
- Constant Percentage 1 + Max [Bonus Percentage; Leverage (FR Value –Strike Percentage)]; or
- (B) Otherwise:
- [FR Value][no Final Redemption Amount will be payable and Physical Delivery will apply]
- (xvi) **"Redemption (xvi)" – "Dual Currency Digital"**
- (A) If the Final Redemption Condition is satisfied in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period][and no Knock-in Event has occurred]:
- [Constant Percentage 1][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive); or*
- (B) Otherwise:
- [Constant Percentage 2][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) - Multiplier" (inclusive); for the avoidance of doubt the selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A) [and the Settlement Exchange Rate Provisions shall apply with respect to the payment of the Final Redemption Amount.][which, for the avoidance of doubt shall be an amount equal to [specify currency and amount] per Calculation Amount]].*
- (xvii) **"Redemption (xvii)" – "Lock-in"**
- (A) If the Lock-in Redemption Condition is satisfied in respect of [a][the] [ST Redemption Valuation Date][ST Redemption Valuation Period]:
- [Constant Percentage [1]][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive); for the avoidance of doubt the selected Final Payout Formula for this paragraph (A) may be different from the Final Payout Formula for paragraph (B) or (C); or*
- (B) If the Lock-in Redemption Condition has not been satisfied in respect of [a][the] [ST Redemption Valuation Date][ST Redemption Valuation Period] and a Knock-in Event has occurred:
- [Constant Percentage [2]][*select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive); for the avoidance of doubt the*

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*selected Final Payout Formula for this paragraph (B) may be different from the Final Payout Formula for paragraph (A) or (C); or*

- (C) If a Knock-in Event has not occurred [and the Lock-in Redemption Condition has not been satisfied in respect of [a][the] [ST Redemption Valuation Date][ST Redemption Valuation Period]]:

*[Max [Floor Percentage; FR Value]][select and insert the Final Payout Formula from any one of "Redemption (i)" to "Redemption (v) – Multiplier" (inclusive); for the avoidance of doubt the selected Final Payout Formula for this paragraph (C) may be different from the Final Payout Formula for paragraph (A) or (B)].*

### 3 Automatic Early Redemption Amounts

If Automatic Early Redemption is specified as applicable in the Issue Terms and an Automatic Early Redemption Event occurs, then:

For insertion into Paragraph 30(iii) (*Automatic Early Redemption Payout*):

- (i) If ST Automatic Early Redemption is specified in the Issue Terms, then any of the two following formula shall be inserted and completed in Automatic Early Redemption Amount:

(A) Calculation Amount \* (AER Percentage + AER Additional Rate)

- (B) (i) If no Knock-in Event has occurred:

[Constant Percentage 1]; or

- (ii) If a Knock-in Event has occurred:

[Min [Constant Percentage 2; Leverage \* FR Value]

- (ii) If Target Automatic Early Redemption is specified in the Issue Terms, the following formula shall be inserted and completed in the Automatic Early Redemption Amount:

Calculation Amount \* (100% + Final Interest Rate);

### 4 Entitlement Amounts for Physical Delivery

For insertion into item 42(i) of the Issue Terms (*Provisions applicable to Physical Delivery – Entitlement Amount*):

Calculation Amount / (Constant Percentage \* Performing RI Strike Price \* FX)

The Entitlement Amount will be rounded down to the nearest unit of each Relevant Asset capable of being delivered (the "**Equity Element**") and in lieu thereof the Issuer will pay a residual amount (the "**Residual Amount**") equal to:

(Entitlement Amount – Equity Element) \* Physical Delivery Price \* FX

### 5 Definitions

#### 5.1 General Definitions

"**Additional Leverage**" means [*specify percentage*].

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

"**AER Additional Rate**" means, in respect of a [ST AER Valuation Date] or [ST AER Valuation Period], [the AER Rate][AER Rate DCF][AER Rate MT][AER Value].

"**AER Rate**" means [*specify rate*].

"**AER Rate DCF**" means a percentage calculated as the product of the AER Rate and the applicable Day Count Fraction.

"**AER Rate MT**" means the product of (a) [*specify rate*] and (b) the number of [Interest Periods][ST Valuation Dates][Automatic Early Redemption Valuation Dates] from the Issue Date to [and including][but excluding] the [Interest Period in which the relevant Automatic Early Redemption Valuation Date falls][the date of the relevant Automatic Early Redemption Valuation Date].

"**AER Percentage**" means [*specify percentage*].

"**AER Reference Item Rate**" means [*specify floating rate*].

"**AER Value**" means in respect of a [ST Valuation Date][ST Valuation Period]and in respect of [each][of] Reference Item (k[=*specify*] to (k[=*specify*])) [*specify value from Payout Condition 5.2*].

"**Barrier Percentage Strike Price**" means [*specify percentage*].

"**Basket**" means: (a) if the relevant Reference Items are Indices, the Basket of Indices (as defined in the Index Linked Conditions) as specified in the Issue Terms; (b) if the relevant Reference Items are Shares, the Basket of Shares (as defined in the Equity Linked Conditions) as specified in the Issue Terms; (c) if the relevant Reference Item are Inflation Indices, a basket composed of each Inflation Index specified in the Issue Terms (d) if the relevant Reference Item are Fund Shares, the Fund Basket (as defined in the Fund Linked Conditions) as specified in the Issue Terms; (e) if the relevant Reference Item are Subject Currencies, a basket composed of each Subject Currency specified in the Issue Terms; and (f) in the case of Reference Items which are Shares, ETFs and/or Indices, where applicable, a basket of Shares, ETFs and/or Indices, as specified in the applicable Issue Terms, in each case subject to Weightings.

"**Best Lock Value(i)**" means, in respect of a [ST Valuation Date] [or ST Valuation Period], the highest RI Value on such [ST Valuation Date] [ST Valuation Period] of the Reference Item(s) in Himalaya Basket(i).

"**Best Replace Percentage**" means [*specify percentage*].

"**Bonus Percentage**" means [*specify percentage*].

"**Booster Percentage**" means [*specify percentage*].

"**Call Cap Percentage**" means [*specify percentage*].

"**Call Constant Percentage**" means [*specify percentage*].

"**Call Floor Percentage**" means [*specify percentage*].

"**Call Leverage**" means [*specify percentage*].

"**Call Rate**" means:

Constant Percentage(i) + Leverage(i) \* Max [Coupon Value(i) – Strike Percentage(i) + Spread(i); Floor Percentage(i)]

"**Call Spread Rate**" means:

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

Constant Percentage(i) + Leverage(i) \* Min [Max [Coupon Value(i) – Strike Percentage(i) + Spread(i); Floor Percentage(i)]; Cap Percentage(i)]

"**Call Spread Percentage**" means [specify percentage].

"**Call Strike Percentage**" means [specify percentage].

"**Cap Percentage[1][2]**" means [specify percentage].

"**Cappuccino Barrier Value**" means in respect of a Reference Item:

- (a) if in respect of a ST Valuation Date the Cappuccino Barrier Condition is satisfied, Cap Percentage(i);
- (b) otherwise, Coupon Barrier Value(i,k).

"**Cliquet Digital Performance**" means, in respect of a [ST Valuation Date][ST Valuation Period]:

$$\sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]]$$

"**Constant Percentage[1][2][3][4]**" means [specify percentage].

"**Coupon Airbag Percentage**" means [specify percentage].

"**Coupon Barrier[1][2][3][4]**" means [specify amount or percentage or number].

"**Coupon Barrier Value**" means, in respect of a [Observation Date][ST Coupon Valuation Date] [ST Coupon Valuation Period], [and in respect of [each][of] Reference Item (k=[specify]) to (k=[specify])], [specify defined term from Payout Condition 5.2]. (repeat as necessary)

"**Coupon Lock in**" means:

$$\text{Max}_{t=1}^T \left[ \sum_{i=1}^t \text{Max}[\text{FloorPercentage}(i); \text{Min}[\text{CapPercentage}(i); \text{CouponValue}(i)]] \right]$$

"**Coupon Value**" means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period] [and in respect of [each][of] Reference Item (k=[specify]) to (k=[specify])], [specify defined term from Payout Condition 5.2] [the Interest Amount payable in respect of each Note shall be an amount equal to [specify] and Condition 3(b)(ii) and 3(b)(v) shall be interpreted accordingly].

"**Current Interest Period**" means, in respect of an Automatic Early Redemption Valuation Date, the Interest Period during which such Automatic Early Redemption Valuation Date falls.

"**EDS**" means Max [Floor Percentage; Min [Constant Percentage 3 – nEDS × Loss Percentage; 0]].

"**EDS Barrier Percentage**" means [specify percentage].

"**Entitlement Value**" means [the Reference Item][the Worst Value][the Best Value].

"**Final Coupon Rate**" means the Rate of Interest calculated in respect of the [Current Interest Period][Target Final Interest Period] (the "**Final Interest Period**")

"**Final Day Count Fraction**" means the Day Count Fraction applicable to the Final Interest Period.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"Final Interest Rate"** means *(insert one of the following)*[specify][zero]

*(If capped and guaranteed:)* [the AER Percentage][Target Coupon Percentage] less Paid Coupon Percentage.]

*(If not capped or guaranteed:)* [the Final Coupon Rate multiplied by the Final Day Count Fraction.]

*(If capped only:)* [Min [Final Coupon Rate \* Final Day Count Fraction; AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].]

*(If guaranteed only:)* [Max [Final Coupon Rate \* Final Day Count Fraction; AER Percentage or Target Coupon Percentage, as applicable, less Paid Coupon Percentage].]

**"Final Redemption Condition Level [1][2][3][4]"** means [specify amount or percentage or number].

**"Final Redemption Value"** means, in respect of a [ST Valuation Date][ST Valuation Period] [and in respect of [each][of] Reference Item (k=[specify])] to (k=[specify])] [specify defined term from Payout Condition 5.2].

**"Floor Lock in"** means Constant Percentage [1] multiplied by the integer number resulting from the quotient of the Coupon Lock in and Constant Percentage [1].

**"Floor Percentage [1][2]"** means [specify percentage].

**"Forward"** means FR Value – Strike Percentage.

**"FR Additional Rate"** means [FR Rate][FR MT up Rate][FR Rate DCF][FR Rate MT].

**"FR Cap Percentage"** means [specify percentage].

**"FR Condition Level"** means [specify percentage, amount or number].

**"FR Constant Percentage"** means [specify percentage].

**"FR Floor Percentage"** means [specify percentage].

**"FR Leverage"** means [specify percentage].

**"FR MT up Rate"** means:

- (a) *(insert if cap is applicable)* [Min [Max [FR Floor Percentage; FR Leverage \* (FR Value - FR Strike Percentage) + FR Spread]; FR Cap Percentage] + FR Constant Percentage].]
- (b) *(insert if cap is not applicable)* [Max [FR Floor Percentage; FR Leverage \* (FR Value - FR Strike Percentage) + FR Spread + FR Constant Percentage].]

**"FR Rate"** means [specify rate].

**"FR Rate DCF"** means a percentage calculated as the product of the FR Rate and the applicable Day Count Fraction.

**"FR Rate MT"** means the product of (a) [specify rate] and (b) the number of [Interest Periods][ST Valuation Dates] from and including the Issue Date to [and including][but excluding] the [Interest Period in which the relevant ST Valuation Date falls][date of the relevant ST Valuation Date].

**"FR Spread"** means [specify percentage].

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

"**FR Strike Percentage**" means *[specify percentage]*.

"**FR Value**" means, in respect of a [ST FR Valuation Date] [ST FR Valuation Period][and in respect of [each][of] Reference Item (k=[*specify*]]) to (k=[*specify*]]), *[specify defined term from Payout Condition 5.2]*.

"**FX**" is the relevant RI FX Level(i) on the relevant Valuation Date or if that is not a Business Day the immediately succeeding Business Day.

"**Himalaya Basket(i)**" means, in respect of a ST Valuation Date(i), a Basket comprising each Reference Item in Himalaya Basket(i-1) but excluding the Reference Item in relation to Best Lock Value(i-1).

"**K**" means *[specify number]*, being the total number of Reference Items in the Basket.

"**Knock-in Value**" in respect of a [ST Valuation Date] [ST Valuation Period] [and in respect of [each][of] Reference Item (k=[*specify*]]) to (k=[*specify*]]), *[specify defined term from Payout Condition 5.2]*.

"**Knock-out Value**" in respect of a [ST Valuation Date] [ST Valuation Period] [and in respect of [each][of] Reference Item (k=[*specify*]]) to (k=[*specify*]]), *[specify defined term from Payout Condition 5.2]*.

"**Lever Down**" means *[specify percentage]*.

"**Leverage**" means *[specify percentage]*.

"**Lever Up [1][2]**" means *[specify percentage]*.

"**Local Floor Percentage**" means *[specify percentage]*.

"**Lock-in Coupon Level**" means *[specify level, amount, number or percentage]*.

"**Lock-in Coupon Value**" means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period][and in respect of [each][of] Reference Item (k=[*specify*]]) to (k=[*specify*]]), *[specify defined term from Payout Condition 5.2]*.

"**Lock-in Redemption Level**" means *[specify level, amount, number or percentage]*.

"**Lock-in Redemption Value**" means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period][and in respect of [each][of] Reference Item (k=[*specify*]]) to (k=[*specify*]]), *[specify defined term from Payout Condition 5.2]*.

"**Loss Percentage**" means *[specify percentage]*.

"**M**" means a series of ST Valuation Dates or ST Valuation Periods.

"**Max**" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a semi-colon inside those brackets.

"**Min**" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a semi-colon inside those brackets.

"**Min Coupon**" means *[specify percentage]*.

"**Modified Value(i,k)**" means:

- (a) if the Coupon Value(i,k) is one of the nfixed greatest value in the basket of the Reference Items, the Best Replace Percentage; and

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

(b) otherwise, Coupon Value(i,k).

"**Multiplier Level**" means [*specify percentage*].

"**Multiplier Number**" shall be the number of times that the Multiplier Condition is satisfied.

"**Multiplier Value**" means, in respect of a ST Valuation Date or ST Valuation Period, [*specify defined term from Payout Condition 5.2*].

"**n**" means:

- (a) in respect of "Rate of Interest (xiv)" "Mozart", in respect of a ST Coupon Valuation Date, the number calculated as the number of ST Coupon Valuation Dates (in the period from the Issue Date to and including such ST Coupon Valuation Date) on which the Barrier Count Condition is satisfied; and
- (b) in respect of "Rate of Interest (x)" "Range Accrual", in respect of a ST Coupon Valuation Date, the number of Range Accrual Days in the relevant Range Period on which the [Range Accrual Coupon Condition][Range Accrual Countdown Condition] is satisfied.

"**N**" means:

- (a) in respect of "Rate of Interest (xv)" "Mozart Variable", [*specify number*] being the maximum number of times that the Barrier Count Condition may be satisfied from [and including] the Issue Date to [but excluding] the Maturity Date; and
- (b) in respect of "Rate of Interest (x)" "Range Accrual", for each ST Coupon Valuation Date, the total number of Range Accrual Days in the relevant Range Period.

"**nEDS**" means the number of Reference Items in the Basket in respect of which the FR Value is [less than or equal to][less than] EDS Barrier Percentage.

"**nfixed**" means [*specify number*].

"**Option**" means [Put][Put Spread][EDS][Forward].

"**Paid Coupon Percentage**" means, in respect of an Automatic Early Redemption Valuation Date or Target Determination Date, the sum of the values calculated for each Interest Period as the product of (i) the Rate of Interest and (ii) the Day Count Fraction, in each case for such Interest Period preceding the Current Interest Period (in the case of an Automatic Early Redemption Valuation Date) or the Target Final Interest Period (in the case of a Target Determination Date).

"**Physical Delivery Price**" means, in respect of a ST Valuation Date, the RI Closing Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date.

"**Previous Interest**" means, in respect of a ST Coupon Valuation Date, the Rate of Interest determined on the ST Coupon Valuation Date immediately preceding such ST Coupon Valuation Date or, in respect of the first ST Coupon Valuation Date, zero.

"**Put**" means  $\text{Max} [\text{Strike Percentage} - \text{FR Value}; 0]$ .

"**Put Cap Percentage**" means [*specify percentage*].

"**Put Constant Percentage**" means [*specify percentage*].

"**Put Floor Percentage**" means [*specify percentage*].

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"Put Leverage"** means *[specify percentage]*.

**"Put Spread"** means  $\text{Min} [\text{Max} [\text{Strike Percentage} - \text{FR Value}; 0]; \text{Cap Percentage}]$ .

**"Put Strike Percentage"** means *[specify percentage]*.

**"RA Barrier [1][2][3][4]"** means in respect of a Reference Item, *[specify percentage]*.

**"RA Barrier Value"** means, *[specify value from Payout Condition 5.2]* [in respect of an ST Coupon Valuation Date and a Reference Item, the *[specify defined term from Payout Condition 5.2]* [the Reference Spread].]

**"Ranking"** means, in respect of a ST Valuation Date, the ordinal positioning of each Reference Item by RI Value from lowest RI Value to greatest RI Value in respect of such ST Valuation Date.

**"Rate [A][B][C]"** means, in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period], *[specify fixed rate]* *[specify floating rate determined on the basis set out in item 19 of the Issue Terms]* [the Call Rate][the Call Spread Rate][Inflation Rate].

**"Rate(n)"** (from n=1 to n=N) means:

- (a) in respect of "Rate of Interest (xv)" – "Mozart Variable" on any ST Coupon Valuation Date, the rate specified in the Issue Terms and associated with the number of times that Barrier Count Condition is satisfied on the relevant ST Coupon Valuation Date; and
- (b) in respect of "Rate of Interest (xxviii)" – "Podium" on any ST Coupon Valuation Date, the rate specified in the Issue Terms and associated with the number of Reference Items in the Basket for which the Podium Condition is satisfied on the relevant ST Coupon Valuation Date.

**"Reference Item [1][2]....[N]"** the asset or reference basis specified as such in the applicable Issue Terms.

**"Reference Item Rate"** means, in respect of a ST Valuation Date, a ST Coupon Valuation Date or a ST Coupon Valuation Period, the relevant Rate of Interest determined pursuant to General Condition 3(b) and on the basis of item 26 of the Issue Terms. For this purpose, references in Condition 3(b) to the applicable Rate of Interest being determined for each Interest Period shall be construed to be to such Rate of Interest being determined for the applicable ST Valuation Date, ST Coupon Valuation Date or, as the case may be, ST Coupon Valuation Period. The notification requirements set out in Condition 3(b)(v) shall not apply where the Rate of Interest is a Reference Item Rate only.

**"Reference Spread [1][2]"** means Reference Item Rate [1][2] minus Reference Item Rate [1][2]. *(NB Complete Reference Item Rates 1 and 2 to reflect Screen Rate Determination or ISDA Determination for relevant CMS Rates. Repeat for further Reference Spread(s) as necessary)*

**"RI Weighting"** means, in respect of a Reference Item, *[specify number, amount or percentage]*.

**"Spread"** means *[specify percentage]*.

**"Strike Percentage [1][2]"** means *[specify percentage]*.

**"Sum Rate"** means, in respect of each ST Coupon Valuation Date, the sum of all previous Rates for each ST Coupon Valuation Date since (but not including) the last occurring date on which the relevant Barrier Count Condition was satisfied (or if none the Issue Date).

**"Sum Rate(n)"** means the sum of each Rate(n) determined by the Calculation Agent on the last ST Coupon Valuation Date.



## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

"**T**" means [*specify number*], being the total number of ST Coupon Valuation Dates from and including the Issue Date to but excluding the Maturity Date as specified in the Issue Terms.

"**Target Coupon Percentage**" means [*specify percentage*].

"**Total M**" means: [*specify number*] being the total number of [ST Valuation Dates][ST Valuation Periods] for the Notes.

"**Weighting**" means [*specify in relation to each Reference Item comprising the Basket*].

### 5.2 Value Definitions

"**Accumulated Coupon**" means, in respect of a ST Valuation Date, the sum of the values calculated for each Interest Period including the Current Interest Period as [the product of (i)][each Rate of Interest [and (ii) the Day Count Fraction]], in each case for such Interest Period.

"**Average Basket Value**" means, in respect of a ST Valuation Period, the arithmetic average of the Basket Values on each ST Valuation Date in such ST Valuation Period.

"**Average Best Value**" means, in respect of a ST Valuation Period, the arithmetic average of the Best Values on each ST Valuation Date in such ST Valuation Period.

"**Average Rainbow Value**" means, in respect of a ST Valuation Period, the arithmetic average of the Rainbow Values on each ST Valuation Date in such ST Valuation Period.

"**Average RI Value**" means, in respect of a Reference Item and a ST Valuation Period, the arithmetic average of the RI Values for such Reference Item on each ST Valuation Date in such ST Valuation Period.

"**Average Worst Value**" means, in respect of a ST Valuation Period, the arithmetic average of the Worst Values on each ST Valuation Date in such ST Valuation Period.

"**Barrier Initial Price**" means a price equal to the product of (x) the RI Closing Value for a Reference Item on the Strike Date and (y) the Barrier Percentage Strike Price.

"**Barrier Initial Maximum Price**" means a price equal to the product of (x) the greatest RI Closing Value for a Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.

"**Barrier Initial Minimum Price**" means an amount equal to the product of (x) the lowest RI Closing Value for such Reference Item on any Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.

"**Barrier Initial Average Price**" means an amount equal to the product of (x) the arithmetic average of the RI Closing Values for a Reference Item on each Strike Day in the Strike Period and (y) the Barrier Percentage Strike Price.

"**Basket Performance**" means in respect of an ST Valuation Date, (a) the Basket Value in respect of such day minus (b) 100 per cent.

"**Basket Value**" means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the RI Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.

"**Basket Intraday Value**" means, in respect of a ST Valuation Date [and any time at which a value for all the Reference Items in the Basket is calculated], the sum of the values calculated for each Reference Item in the Basket at such time as (a) the RI Intraday Value for such Reference Item is calculated in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"Best Intraday Value"** means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the highest or equal highest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date.

**"Best Value"** means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the highest or equal highest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date.

**"FX Average Level"** means the arithmetic average of the RI FX Levels for a Reference Item on each Strike Day in the Strike Period.

**"FX Closing Level"** means the RI FX Level for a Reference Item on the Strike Date.

**"FX Maximum Level"** means the greatest RI FX Level for a Reference Item on any Strike Day in the Strike Period.

**"FX Minimum Level"** means the lowest RI FX Level for a Reference Item on any Strike Day in the Strike Period.

**"FX Value"** means, in respect of a Reference Item and any day either: (i) the RI FX Level for such day divided by the RI FX Strike Level or (ii) the RI FX Strike Level divided by the RI FX Level for such day, as specified in the Issue Terms.

**"Highest Basket Value"** means, in respect of a ST Valuation Period, the highest or equal highest Basket Value on any ST Valuation Date in such ST Valuation Period.

**"Highest Best Intraday Value"** means, in respect of a ST Valuation Period, the highest or equal highest Best Intraday Value on any ST Valuation Date in such ST Valuation Period.

**"Highest Best Value"** means, in respect of a ST Valuation Period, the highest or equal highest Best Value on any ST Valuation Date in such ST Valuation Period.

**"Highest Rainbow Value"** means, in respect of a ST Valuation Period, the highest or equal highest Rainbow Value on any ST Valuation Date in such ST Valuation Period.

**"Highest RI Intraday Value"** means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.

**"Highest RI Value"** means, in respect of a Reference Item and a ST Valuation Period, the highest or equal highest RI Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.

**"Highest Worst Value"** means, in respect of a ST Valuation Period, the highest or equal highest Worst Value on any ST Valuation Date in such ST Valuation Period.

**"Inflation Rate"** means, in respect of a [ST Valuation Date][ST Valuation Period][*specify defined term from Payout Condition 5.2 for a Reference Item which is an Inflation Index*].

**"Initial Average Price"** means for a Reference Item, the arithmetic average of the RI Closing Value for a Reference Item on each Strike Day in the Strike Period.

**"Initial Closing Price"** means the RI Closing Value of a Reference Item on the Strike Date or the Initial Calculation Date.

**"Initial Maximum Price"** means the highest RI Closing Value for a Reference Item on any Strike Day in the Strike Period.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"Initial Minimum Price"** means the lowest RI Closing Value for a Reference Item on any Strike Day in the Strike Period.

**"Intraday Level"** means, in respect of an Index and subject to the Index Linked Conditions, an amount equal to the level (which shall be deemed to be an amount in the currency of the Index) of such Index as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchanges, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date [multiplied by the FX Value]

**"Intraday Price"** means, in respect of (i) a Share or a Fund Share and subject to the Equity Linked Conditions or the Fund Linked Conditions, as applicable, an amount equal to the price of such Share or Fund Share quoted on the relevant Exchange as determined by the Calculation Agent at any relevant time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours, on the relevant ST Valuation Date [multiplied by the FX Value]; and (ii) a Subject Currency and subject to the Foreign Exchange (FX) Rate Conditions, a rate determined by reference to the definition of Settlement Price in the Foreign Exchange (FX) Conditions by the Calculation Agent and for such purpose the applicable Valuation Time shall be any relevant time on the relevant ST Valuation Date.

**"Inverse Performance"** means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Inverse Value in respect of such day minus (b) 100 per cent. [and multiplied by (c) the FX Value].

**"Lowest Basket Value"** means, in respect of a ST Valuation Period, the lowest or equal lowest Basket Value on any ST Valuation Date in such ST Valuation Period.

**"Lowest Best Value"** means, in respect of a ST Valuation Period, the lowest or equal lowest Best Value on any ST Valuation Date in such ST Valuation Period.

**"Lowest Rainbow Value"** means, in respect of a ST Valuation Period, the lowest or equal lowest Rainbow Value on any ST Valuation Date in such ST Valuation Period.

**"Lowest RI Intraday Value"** means, in respect of a Reference Item and a ST Valuation Period, the lowest or equal lowest RI Intraday Value for such Reference Item on any ST Valuation Date in such ST Valuation Period.

**"Lowest RI Value"** means, in respect of a Reference Item and a ST Valuation Period, the lowest or equal lowest RI Value for such Reference Item for all the ST Valuation Dates in such ST Valuation Period.

**"Lowest Worst Intraday Value"** means, in respect of a ST Valuation Period, the lowest Worst Intraday Value on any ST Valuation Date in such ST Valuation Period.

**"Lowest Worst Value"** means, in respect of a ST Valuation Period, the lowest or equal lowest Worst Value on any ST Valuation Date in such ST Valuation Period.

**"Performance"** means, in respect of a Reference Item and a ST Valuation Date, (a) the RI Value for such Reference Item in respect of such day minus (b) 100 per cent. [, and multiplied by (c) the FX Value].

**"Performance Difference"** means in respect of a ST Valuation Date, the Performance for Reference Item (k=[*specify*])) in respect of such ST Valuation Date minus the Performance for Reference Item (k=[*specify*])) in respect of such ST Valuation Date.

**"Performing RI Strike Price"** means, in respect of a ST Valuation Date, the RI Initial Value in respect of the Reference Item with the Entitlement Value on such ST Valuation Date.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"Rainbow Value"** means, in respect of a ST Valuation Date, the sum of the values calculated for each Reference Item in the Basket as (a) the Ranked Value for such Reference Item in respect of such ST Valuation Date multiplied by (b) the relevant RI Weighting.

**"Ranked Value"** means, in respect of a ST Valuation Date, the RI Value in respect of the Reference Item with the [first][second][specify] Ranking in respect of such ST Valuation Date.

**"RI Composite Value"** means, in respect of a Reference Item and a ST Valuation Date, the [highest or equal highest of][lowest or equal lowest of][arithmetic average of] the RI Average Values in respect of such ST Valuation Date.

**"Restrike Performance"** means, in respect of a Reference Item and a ST Valuation Date (a) (i) the RI Closing Value for such Reference Item in respect of such day divided by (ii) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or if none, the Strike Date (b) less 100 per cent., and multiplied by (c) the FX Value].

**"RI Average Value"** means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of [(a)] the RI Closing Value for such Reference Item in respect of each [set of] Averaging Date[s] specified in relation to such ST Valuation Date [multiplied by (b) the FX Value].

**"RI Closing Value"** means, in respect of a Reference Item and a ST Valuation Date:

- (a) if the relevant Reference Item is an Index, the Settlement Level (as defined in the Index Linked Conditions);
- (b) if the relevant Reference Item is a Share, the Settlement Price (as defined in the Equity Linked Conditions);
- (c) if the relevant Reference Item is an Inflation Index, the Relevant Level (as defined in the Inflation Linked Conditions);
- (d) if the relevant Reference Item is an Exchange Traded Fund Share, the Settlement Price (as defined in the Fund Linked Conditions);
- (e) if the relevant Reference Item is a Fund, the NAV per Fund Share (as defined in the Fund Linked Conditions);
- (f) if the relevant Reference Item is a Subject Currency, the Settlement Price (as defined in the Foreign Exchange (FX) Rate Linked Conditions);
- (g) if the relevant Reference Item is a rate of interest, the Reference Item Rate; and
- (h) if the relevant Reference Item is a Reference Spread, the Reference Spread,

in each case on such ST Valuation Date.

**"RI FX Level"** means, for the purpose of converting an amount in respect of a Reference Item into the Specified Notes Currency on [specify date(s)] [(insert relevant rate source and, if applicable, observation time) (or any successor to such page or service) or if it is not reasonably practicable to determine the RI FX Level from such source, the RI FX Level will be determined by the Calculation Agent as [the rate it determines would have prevailed but for such impracticability by reference to such source(s) as it deems appropriate] [the rate at which the Calculation Agent determines the relevant Reference Item amount could be converted into the Specified Notes Currency (expressed as the Calculation Agent determines appropriate) at or about the time and by reference to such source(s) as the Calculation Agent deems appropriate].]

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"RI FX Rate"** means (i) the RI FX Level, (ii) the FX Value or (iii) the number, as specified in the applicable Issue Terms.

**"RI FX Strike Level"** means, in respect of a Reference Item, [*specify rate*][FX Closing Level][FX Maximum Level][FX Minimum Level][FX Average Level].

**"RI Growing Average Value"** means, in respect of a Reference Item and a ST Valuation Date, the arithmetic average of [(a)][i)] the RI Closing Value for such Reference Item in respect of each Averaging Date[s] specified in relation to such ST Valuation Date on which the RI Closing Value is [equal to or][higher than] the RI Closing Value in respect of the immediately preceding Averaging Date or if none, the RI Initial Value, divided by [ii] the relevant RI Initial Value [multiplied by (b) the FX Value].

**"RI Initial Value"** means, in respect of a Reference Item, [*specify price*] [Initial Closing Price] [Initial Maximum Price] [Initial Minimum Price][Initial Average Price] [Barrier Initial Price] [Barrier Initial Maximum Price] [Barrier Initial Minimum Price] [Barrier Initial Average Price].

**"RI Intraday Level"** means:

- (a) if the relevant Reference Item is an Index, the Intraday Level; or
- (b) if the relevant Reference Item is a Share or a Fund Share, the Intraday Price; or
- (c) if the relevant Reference Item is a Subject Currency, the Intraday Price.

**"RI Intraday Value"** means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the RI Intraday Level for such Reference Item in respect of such ST Valuation Date (ii) divided by the relevant RI Initial Value [multiplied by (b) FX Value].

**"RI Inverse Value"** means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the RI Initial Value divided by (ii) the [RI Closing Value][RI Average Value] for such Reference Item in respect of such ST Valuation Date [multiplied by (b) the FX Value].

**"RI Restrike Value"** means, in respect of a Reference Item and a ST Valuation Date (a) the RI Closing Value for such Reference Item in respect of such ST Valuation Date divided by (b) the RI Closing Value for such Reference Item in respect of the immediately preceding ST Valuation Date or if none, the Strike Date.

**"RI Value"** means, in respect of a Reference Item and a ST Valuation Date, [(a)] (i) the [RI Closing Value][RI Average Value] for such Reference Item in respect of such ST Valuation Date, divided by (ii) the relevant RI Initial Value [multiplied by (b) the FX Value].

**"RI Value Difference"** means, in respect of a ST Valuation Date, the RI Value for Reference Item (k[=*specify*])) in respect of such ST Valuation Date minus the RI Value for Reference Item (k[=*specify*])) in respect of such ST Valuation Date.

**"Worst Intraday Value"** means, in respect of a ST Valuation Date, the RI Intraday Value for the Reference Item(s) with the lowest or equal lowest RI Intraday Value for any Reference Item in the Basket in respect of such ST Valuation Date.

**"Worst Inverse Value"** means, in respect of ST Valuation Date, the RI Inverse Value for the Reference Item(s) with the lowest or equal lowest RI Inverse Value for any Reference Item in the Basket in respect of such ST Valuation Date.

**"Worst Value"** means, in respect of a ST Valuation Date, the RI Value for the Reference Item(s) with the lowest or equal lowest RI Value for any Reference Item in the Basket in respect of such ST Valuation Date.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

### 5.3 Dates and Periods

Payments of interest and principal on the Notes may be associated with ST Valuation Dates and/or ST Valuation Periods, as the case may be, as specified in the Issue Terms. For the avoidance of doubt, several sets of dates may be used for the determination and calculation of a particular payout.

**"Calculation Date"** means *[specify]*.

**"Coupon Valuation Date"** shall be the relevant date specified as such in the Issue Terms, as may be adjusted in accordance with the definition of "Valuation Date".

**"Final Calculation Date"** means *[specify]*.

**"Initial Calculation Date"** means *[specify]*.

**"Range Accrual Cut-Off Date"** means [in respect of [each][a] Reference Item [(k)] and] [in respect of any [Range Period] *[specify other period]* [the][each] date specified as such in the Issue Terms.] or, otherwise, the date falling *[specify number]* [calendar days] [Business Days] [Scheduled Trading Days (as defined in the *[specify]* Conditions] *[specify other]* before the [Range Period End Date] *[specify other]*.

**"Range Accrual Day"** means [an Exchange Business Day][a Scheduled Trading Day][a Business Day][an Interest Determination Date][a calendar day][an Observation Day]*[specify]*.

**"Range Period"** means *[specify period]*[each][the][Interest Period] [(and the final date of each such period, the "Range Period End Date")].

**"Redemption Valuation Date"** shall be the relevant date specified as such in the applicable Issue Terms, as may be adjusted in accordance with the definition of "Valuation Date".

**"ST Coupon Valuation Date(s)"** means [a] [an] [each] [Averaging Date][Strike Date][Interest Determination Date][Interest Period End Date][Determination Date][Knock-in Determination Day][Knock-out Determination Day][Settlement Level Date][Settlement Price Date][Valuation Date][Range Accrual Day] [and] [Range Period Cut-Off Date].

**"ST Coupon Valuation Period"** means [the period from and including *[specify]* to and including][excluding][the immediately following] *[specify]*[each][the][Interest Period][Range Period].

**"ST ER Valuation Date"** means each [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Date][Knock-out Determination Date].

**"ST ER Valuation Period"** means the period from and including *[specify]* to and including *[specify]*.

**"ST FR Valuation Date"** means [a] [an] [each] [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day].

**"ST FR Valuation Period"** means the period from and including *[specify]* to and including *[specify]*.

**"ST Redemption Valuation Date"** means [a] [an] [each] [the] [Averaging Date][Settlement Level Date][Settlement Price Date][Determination Date][Calculation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day].

**"ST Redemption Valuation Period"** means the period from and including *[specify]* to and including *[specify]*.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"ST Valuation Date"** means each [Coupon Valuation Date][Strike Date][Redemption Valuation Date][ST Coupon Valuation Date][ST ER Valuation Date][ST FR Valuation Date][ST Redemption Valuation Date][Automatic Early Redemption Valuation Date][Knock-in Determination Day][Knock-out Determination Day][Range Accrual Day][Settlement Level Date][Settlement Price Date][Scheduled Trading Day][Calculation Date][Initial Calculation Date][Final Calculation Date].

**"ST Valuation Period"** means each [ST Coupon Valuation Period][ST ER Valuation Period][ST FR Valuation Period][ST Redemption Valuation Period][Automatic Early Redemption Valuation Period][Knock-in Determination Period][Knock-out Determination Period].

**"Target Determination Date"** means [*specify date(s)*].

**"Target Final Interest Period"** means the Interest Period ending on but excluding the Maturity Date.

### 5.4 Conditional Conditions

If one or more conditions defined below are applicable for the determination and calculation of a payout formula(e), the definition shall be inserted, completed and adjusted in the Issue Terms in order to take into account any value definitions in Payout Condition 5.2, relevant Date(s) and or Periods, and/or other Variable Data.

**"Barrier Count Condition"** shall be satisfied if, in respect of a [ST Coupon Valuation Date] [ST Coupon Valuation Period], the Coupon Barrier Value [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Coupon Valuation Date] [ST Coupon Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier.

**"Cappuccino Barrier Condition"** means, in respect of [the] [the Reference Item] [and] a [ST Coupon Valuation Date], that the Coupon Barrier Value [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Coupon Valuation Date], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Coupon Barrier.

**"Coupon Barrier Condition [1]"** means, in respect of [a ST Coupon Valuation Date][a ST Coupon Valuation Period], that the Coupon Barrier Value [for] [each][any] [Observation Date] [in respect of][the relevant] [on such] [ST Coupon Valuation Date][ST Coupon Valuation Period], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] [the] Coupon Barrier [1][ but is [greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier [2]].

**"Coupon Barrier Condition [2]"** means, in respect of [a ST Valuation Coupon Date][a ST Coupon Valuation Period], that the Coupon Barrier Value [for] [each][any] [Observation Date] [in respect of][the relevant] [on such] [ST Coupon Valuation Date][ST Coupon Valuation Period], as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Coupon Barrier [1] [but is [greater than][less than][greater than or equal to][less than or equal to] Coupon Barrier [2]].

**"Digital Coupon Condition [1]"** means:

- (a) in respect of Reference Item [1], that the Coupon Barrier Value for [the] Reference Item [1] [for] [each] [any] [Observation Date] [in respect of] [the relevant] [on such] [ST Coupon Valuation Date] [ST Coupon Valuation Period] as determined by the Calculation Agent is [(i) [greater than][less than][equal to or greater than][less than or equal to], [the] Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to] Coupon Barrier 2](*insert (ii) if a Coupon Barrier 2 is specified*)]; and
- (b) in respect of Reference Item 2, that the Coupon Barrier Value for Reference Item 2 [for][each][any] [Observation Date][in respect of][ the relevant] [on such] [[ST Coupon Valuation Date][in the

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

relevant][ST Coupon Valuation Period] as determined by the Calculation Agent is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier [1] [and (ii)] [greater than][less than][equal to or greater than][less than or equal to], Coupon Barrier [2]](*insert (ii) if a Coupon Barrier [2] is specified*)](*insert (b) if Reference Item 2 is specified*).

**"Digital Coupon Condition 2"** means in respect of a [ST Coupon Valuation Date][ST Coupon Valuation Period]:

- (a) in respect of Reference Item [1], that the Coupon Barrier Value for Reference Item [1] [for] [each][any] [Observation Date][in respect of] [the relevant] [on such] [ST Coupon Valuation Date][and][ST Coupon Valuation Period][and [each][any] Observation Date for [the relevant][a] [ST Valuation Date][ST Coupon Valuation Period]] as determined by the Calculation Agent is [(i)] [greater than][less than][equal to or greater than][less than or equal to] Coupon Barrier [3] [and (ii)] [greater than][less than][equal to or greater than][less than or equal to] Coupon Barrier [4]](*insert (ii) if a Coupon Barrier [4] is specified*); and
- (b) in respect of Reference Item 2, that the Coupon Barrier Value for Reference Item 2 [for][each][any][Observation Date][in respect of] [the relevant] [on such][ST Coupon Valuation Date][ST Coupon Valuation Period] as determined by the Calculation Agent is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the Coupon Barrier [3] [and (ii)] [greater than][less than][equal to or greater than][less than or equal to], the Coupon Barrier [4]] (*insert (ii) if a Coupon Barrier [4] is specified*) (*insert (b) if Reference Item 2 is specified*).

**"Final Redemption Condition"** means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period], that the Final Redemption Value [for] [each][any] [Observation Date][in respect of][the relevant][on such] [ST Redemption Valuation Date][ST Redemption Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Final Redemption Condition Level.

**"Final Redemption Condition [1]"** means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period], that the Final Redemption Value [for] [each][any] [Observation Date][in respect of][the relevant][on such] [ST Redemption Valuation Date] [ST Redemption Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level 1.

**"Final Redemption Condition [2]"** means, in respect of a [ST Redemption Valuation Date] [ST Redemption Valuation Period] that the Final Redemption Value [for] [each][any] [Observation Date] [in respect of] [the relevant] [on such] [ST Redemption Valuation Date] [in the relevant [ST Redemption Valuation Period], as determined by the Calculation Agent is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level [1]], but is [greater than][less than][equal to or greater than][less than or equal to] Final Redemption Condition Level 2.]

**"Lock-in Coupon Barrier Condition"** means, in respect of the [ST Coupon Valuation Date][ST Coupon Valuation Period], the Lock-in Coupon Value [for] [each] [any] [Observation Date] [in respect of] [on such] [ST Coupon Valuation Date][ST Coupon Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Lock-in Coupon Level.

**"Lock-in Redemption Condition"** means, in respect of a [ST Redemption Valuation Date][ST Redemption Valuation Period], the Lock-in Redemption Value [for] [each][any][Observation Date] [in respect of] [the relevant] [on such] [ST Redemption Valuation Date][ST Redemption Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Lock-in Redemption Level.

**"Multiplier Condition"** means, in respect of a [ST Valuation Date][ST Valuation Period], the Multiplier Value [for] [each][any][Observation Date] [in respect of] [the relevant] [on such] [ST Valuation Date] [ST



## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

Valuation Period], as determined by the Calculation Agent, is [greater than][less than][equal to or greater than][less than or equal to] the Multiplier Level.

**"Podium Condition"** means, in respect of a Reference Item and a ST Coupon Valuation Date, the Coupon Value for such Reference Item on such ST Coupon Valuation Date, as determined by the Calculation Agent, is [greater than][less than][greater than or equal to][less than or equal to] the Coupon Barrier.

**"Range Accrual Countdown Condition"** [subject as provided below,] will be deemed satisfied if, in respect of each Range Accrual Day in [the][relevant] Range Period [(n)][from and including [specify] to [and including][but excluding] [[specify] for [each] Reference Item (k=[specify])], the Coupon Barrier Value for such Reference Item in respect of each such Range Accrual Day is [(i)] [greater than][less than][equal to or greater than][equal to or less than] the relevant [Upper][Lower] Coupon Barrier [specify number][and (ii) [greater than][less than][equal to or greater than][equal to or less than] the relevant [Upper][Lower] Coupon Barrier [specify number](insert (ii) if a Coupon Barrier [specify number] is specified) [as specified in the table below].

(Replicate and complete the above definition multiple times as necessary or complete the below table)

Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper] Coupon Barrier]
[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][%]	[specify][%]
(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)

*Specific Provisions for Range Accrual Countdown Condition:*

[In respect of [each] Reference Item (k) and] a Range Accrual Day [(other than a Range Accrual Stub Day)] which is not a [Business Day [for such Reference Item [(k)]]][Scheduled Trading Day or is a Disrupted Day][specify] for such Reference Item [(k)], the Coupon Barrier Value for such Reference Item [(k)] on such day shall be the Coupon Barrier Value for such Reference Item [(k)] on the immediately preceding [Business Day[for such Reference Item [(k)]]][Scheduled Trading Day that was not a Disrupted Day][specify]. [The above provisions with regard to the consequences of a Disrupted Day or a day not being a Scheduled Trading Day will prevail over consequences provided for in any applicable Annex.]

[In respect of [each] Reference Item (k) and the relevant Range Period, the Coupon Barrier Value in respect of such Reference Item [(k)] for each Range Accrual Day after the relevant Range Accrual Cut-Off Date to (and excluding) the Range Period End Date (each a **"Range Accrual Stub Day"**) will be deemed to be the Coupon Barrier Value as of such Range Accrual Cut-off Date.]

**"Range Accrual Coupon Condition"** [subject as provided below] will be deemed satisfied if:

- (a) in respect of Reference Item (k=1), that the Coupon Barrier Value for such Reference Item for the relevant Range Accrual Day [in the applicable Range Period [(n)]] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the relevant Coupon Barrier 1 [and (ii) [greater than][less than][equal to or greater than][less than or equal to], the relevant Coupon Barrier 2](insert (ii) if a Coupon Barrier 2 is specified)[; and

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

- (b) [in respect of Reference Item(k=n), that the Coupon Barrier Value for such Reference Item for the relevant Range Accrual Day [in the applicable Range Period [(n)][from and including [specify] to [and including][but excluding][specify] [for [each] Reference Item (k=[specify]])] is [(i)] [greater than][less than][equal to or greater than][less than or equal to] the relevant [Upper][Lower] Coupon Barrier [insert number] and [(ii)] [greater than][less than][equal to or greater than][less than or equal to], the relevant [Upper][Lower] Coupon Barrier [insert number]](insert (ii) if a Coupon Barrier (insert number) is specified)) [as specified in the table below](insert this paragraph (b) if Reference Item(k=n) is specified).

Range Period n	From (and including)	To (but excluding)	Applicable Reference Item (k)	[Lower] Coupon Barrier	[Upper Coupon Barrier]
[specify]	[specify date][Interest Payment Date Falling in [specify]]	[specify date][Interest Payment Date Falling in [specify]]	[k=(n)] [specify]	[specify][%]	[specify][%]
(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)

### Specific Provisions for Range Accrual Coupon Condition:

[In respect of [each] Reference Item (k) and] a Range Accrual Day [(other than a Range Accrual Stub Day)] which is not a [Business Day [for such Reference Item [(k)]]][Scheduled Trading Day which is not a Disrupted Day][specify] for such Reference Item [(k)], the Coupon Barrier Value for such Reference Item [(k)] on such day shall be the Coupon Barrier Value for such Reference Item [(k)] on the immediately preceding [Business Day [for such Reference Item [(k)]]][Scheduled Trading Day that was not a Disrupted Day][specify]. [The above provisions with regard to the consequences of a Disrupted Day or a day not being a Scheduled Trading Day will prevail over consequences provided for in any applicable Annex.]

[In respect of [each] Reference Item (k) and the relevant Range Period, the Coupon Barrier Value in respect of such Reference Item [(k)] for each Range Accrual Day after the relevant Range Accrual Cut-off Date to (but excluding) the Range Period End Date (each a "**Range Accrual Stub Day**") will be deemed to be the Coupon Barrier Value as of such Range Accrual Cut-off Date.]

(Repeat any of the above paragraphs where relevant in relation to each Reference Item)

## 5.5 Enumeration Convention

Without prejudice to any other provision of these Payout Conditions and as a general rule the following suffixes in relation to the payout terms will be used. Other suffix terms may be selected and may be included in the Issue Terms with other definitions or provisions from the Payout Conditions:

"i" [from i = [specify] to i = [specify]] or "m" [from m = [specify] to m = [specify]] in relation to the relevant ST Valuation Date or ST Valuation Period.

"j" [from j = [specify] to j = [specify]] means the relevant Strike Date.

"k" [from k = [specify] to k = [specify]] means the relevant Reference Item.

"q" [from q = [specify] to q = [specify]] or "t" [from t = [specify] to t = [specify]] means the relevant Observation Date or ST Valuation Date.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

Any of these suffixes will be inserted, completed and explained, if necessary, in the Issue Terms and may be tabulated, especially where two or more suffixes apply.

[each date specified as such below (*set out relevant table*):

<b>k</b>	<b>ST Valuation Date</b>	<b>[Set(s) of] Averaging Dates</b>
[specify]	[insert date]	Set n: [insert dates or describe dates. E.g. "The last [specify] Scheduled Trading Days of (month, year)] (Repeat as necessary for each set n)
(Repeat as necessary in each row)	(Repeat as necessary in each row.)	(Repeat as necessary in each row.)

]

### 6 Settlement Exchange Rate Provisions

If Settlement Exchange Rate Provisions are specified as applicable in the Issue Terms, then notwithstanding the Notes are denominated in, and calculations made in respect of, the Specified Notes Currency (the "**SER Subject Currency**"), as shall be specified in the Issue Terms either, (i) all payments or (ii) only those payments to which the Settlement Exchange Rate Provisions are specified to apply, in respect of the Notes shall be made in the Settlement Currency (the "**Settlement Currency**" or the "**SER Base Currency**").

The Calculation Agent will determine the amount to be paid in the SER Base Currency by applying the Settlement Exchange Rate to the amount that would have been payable in the SER Subject Currency were it not for the provisions of this Payout Condition 6.

Any such payment shall be made on the date such payment would have otherwise been due provided that, if limb (b) of the definition of "Settlement Exchange Rate" below applies, such payment may be deferred in accordance with Payout Condition 6.1(e) below if the SER Valuation Date is postponed as set out herein. No additional interest or other amount shall be payable in respect of any such delay.

#### 6.1 SER Valuation and Disruption Provisions

The provisions of this Payout Condition 6.1 apply where Settlement Exchange Rate Provisions are specified as applicable in the Issue Terms and limb (b) of the definition of "Settlement Exchange Rate" below applies.

##### (a) SER Disruption Events

If so specified in the Issue Terms, the occurrence of any of the following events, in respect of any SER Base Currency and/or SER Subject Currency, shall be a "**SER Disruption Event**":

- (i) Price Source Disruption;
- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance;

## **ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS**

- (vii) Nationalisation;
- (viii) Price Materiality; and/or

any other event that, in the opinion of the Calculation Agent, is analogous to any of (i) to (viii) above.

The Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with General Condition 12 of the occurrence of a SER Disrupted Day on any day that but for the occurrence of the SER Disrupted Day would have been a SER Valuation Date.

### **(b) Consequences of a SER Disruption Event**

Upon a SER Disruption Event occurring or continuing on any SER Valuation Date (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant SER Price Source) as determined by the Calculation Agent, the Calculation Agent shall apply in determining the consequences of the SER Disruption Event: (a) Calculation Agent Determination where the applicable SER Disruption Event is other than Price Source Disruption or Price Materiality; and (b) the applicable SER Disruption Fallback where the applicable SER Disruption Event is a Price Source Disruption or Price Materiality.

### **(c) SER Unscheduled Holiday**

If the Calculation Agent determines that a date that would otherwise have been a SER Valuation Date is a SER Unscheduled Holiday in respect of the SER Subject Currency, then such date shall be the immediately succeeding SER Scheduled Trading Day after the occurrence of the SER Unscheduled Holiday, subject as provided above, and Provided That if such SER Valuation Date has not occurred on or before the SER Maximum Days of Postponement then the next SER Scheduled Trading Day after such period that would have been a SER Scheduled Trading Day but for the SER Unscheduled Holiday shall be deemed to be the relevant date for valuation and the Settlement Exchange Rate shall be determined by the Calculation Agent on such day in its sole discretion acting in good faith having taken into account relevant market practice and by reference to such additional source(s) as it deems appropriate.

### **(d) SER Cumulative Events**

If "SER Cumulative Events" is specified as applicable in the Issue Terms in respect of a SER Settlement Currency then, in no event shall the total number of consecutive calendar days during which a SER Valuation Date is deferred due to either (i) a SER Unscheduled Holiday or (ii) a SER Valuation Postponement (or a combination of both (i) and (ii)) exceed the SER Maximum Cumulative Days of Postponement in the aggregate. If a SER Valuation Date is postponed by the number of calendar days equal to the SER Maximum Cumulative Days of Postponement and at the end of such period (i) a SER Unscheduled Holiday shall have occurred or be continuing on the day immediately following such period (the "**Final Day**"), then such Final Day shall be deemed to be the relevant SER Valuation Date and (ii) if a Price Source Disruption shall have occurred or be continuing on the Final Day, then Valuation Postponement shall not apply and the Settlement Exchange Rate shall be determined in accordance with the next applicable SER Disruption Fallback.

### **(e) Postponement of payment or settlement days**

Where any SER Valuation Date is postponed as a consequence of the provisions of this Payout Condition 6.1, then the corresponding date for payment or delivery of any assets shall fall on the later of (a) the date for such payment or delivery otherwise determined in accordance with the Issue Terms and (b) the day falling the SER Number of Postponement Settlement Days specified in the Issue Terms (or, if none are so specified, two Business Days) after the SER Valuation Date.

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

### 6.2 Consequences of a SER Additional Disruption Event

Other than where limb (a) of the definition of "Settlement Exchange Rate" below applies, if the Calculation Agent determines that a SER Additional Disruption Event has occurred, the Issuer may redeem the Notes by giving notice to Noteholders in accordance with General Condition 12. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note, taking into account the SER 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 Noteholders in accordance with General Condition 12.

### 6.3 Definitions

**"Change in Law"** means that, on or after the Trade Date (as specified in the Issue Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes.

**"Dual Exchange Rate"** means that any of the SER Base Currency and/or SER Subject Currency splits into dual or multiple currency exchange rates.

**"General Inconvertibility"** means the occurrence of any event that generally makes it impossible to convert a SER Subject Currency into the SER Base Currency in a SER Subject Currency Jurisdiction through customary legal channels.

**"General Non-Transferability"** means the occurrence of any event that generally makes it impossible to deliver (A) the SER Base Currency from accounts inside a SER Subject Currency Jurisdiction to accounts outside a SER Subject Currency Jurisdiction or (B) the SER Subject Currency between accounts inside a SER Subject Currency Jurisdiction or to a party that is a non-resident of a SER Subject Currency Jurisdiction.

**"Governmental Authority"** means (i) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or (ii) any other entity (private or public) charged with the regulation of the financial markets (including the central bank), in each case in any relevant jurisdiction.

**"Hedging Disruption"** means that 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 any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"Illiquidity Disruption"** means the occurrence of any event in respect of any of the SER Base Currency and/or SER Subject Currency whereby it becomes impossible for the Calculation Agent to obtain a firm quote for such currency in an amount deemed necessary by the Calculation Agent to hedge its obligations under the Notes (in one or more transaction(s)) on the relevant SER Valuation Date (or, if different, the day on which rates for such SER Valuation Date would, in the ordinary course, be published or announced by the relevant SER Price Source).

**"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 market risk (including, without

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

limitation foreign exchange risk and interest rate 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.

**"Initial Settlement Exchange Rate"** or **"Initial SER"** means the rate specified as such in the Issue Terms.

**"Material Change in Circumstance"** means the occurrence of any event (other than those events specified as SER Disruption Events) in the SER Subject Currency Jurisdiction beyond the control of the parties to a hedging arrangement in respect of the Notes which makes it impossible (A) for a party to fulfil its obligations under the hedging arrangement or (B) generally to fulfil obligations similar to such party's obligations under that hedging arrangement.

**"Nationalisation"** means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives a party to a hedging arrangement in respect of the Notes of all or substantially all of its assets in the SER Subject Currency Jurisdiction.

**"Price Materiality"** means that, in the determination of the Calculation Agent, the SER Primary Rate differs from any SER Secondary Rate by at least the SER Price Materiality Percentage or if there are insufficient responses on the relevant SER Valuation Date to any survey used to calculate any such rate, then the SER Price Materiality Percentage will be deemed to be met.

**"Price Source Disruption"** means that it becomes impossible to obtain the rate or rates from which the Settlement Exchange Rate is calculated.

**"Relevant Screen Page"** means the relevant page specified as such in the Issue Terms or any successor to such page or service acceptable to the Calculation Agent.

**"Settlement Currency"** or **"SER Base Currency"** means the currency specified as such in the Issue Terms.

**"Settlement Exchange Rate"** means (a) the rate specified as such in the Issue Terms or (b) if no such rate is specified and, subject as referred to in Payout Condition 6.1 above, the rate of exchange appearing on the SER Price Source at the SER Valuation Time on the relevant SER Valuation Date for the exchange of the SER Subject Currency per one unit of the SER Base Currency for settlement on the SER Number of Settlement Days.

**"SER Additional Disruption Event"** means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the Issue Terms.

**"SER Disrupted Day"** means any SER Scheduled Trading Day on which the Calculation Agent determines that a SER Disruption Event has occurred.

**"SER Disruption Fallback"** means a source or method that may give rise to an alternative basis for determining the Settlement Exchange Rate when a SER Disruption Event occurs or exists on a day that is a SER Valuation Date (or, if different, the day on which prices for that date would, in the ordinary course, be published or announced by the SER Price Source) being, in respect of a SER Subject Currency, any of Calculation Agent Determination, First Fallback Reference Price, Second Fallback Reference Price and Valuation Postponement, as so specified in the Issue Terms for such SER Subject Currency. Where more than one SER Disruption Fallback is so specified then such SER Disruption Fallbacks shall apply in the order in which they are specified in the Issue Terms until the Settlement Exchange Rate can be determined for such exchange rate relating to that SER Settlement Currency for such SER Valuation Date.

Where:

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

**"Calculation Agent Determination"** means that the Calculation Agent shall determine the Settlement Exchange Rate taking into consideration all information that it deems relevant.

**"First Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Exchange Rate by reference to the applicable First Fallback Reference Price and, for which purpose, references in the definition of Settlement Exchange Rate to "SER Price Source", "SER Valuation Time" and "SER Number of Settlement Days" shall be construed, respectively, to be to "SER First Fallback Price Source", "SER First Fallback Valuation Time" and "SER First Fallback Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Issue Terms).

**"Second Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Exchange Rate by reference to the applicable Second Fallback Reference Price and, for which purpose, references in the definition of Settlement Exchange Rate to "SER Price Source", "SER Valuation Time" and "SER Number of Settlement Days" shall be construed, respectively, to be to "SER Second Fallback Price Source", "SER Second Fallback Valuation Time" and "SER Second Fallback Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Issue Terms).

**"Valuation Postponement"** means that the Settlement Exchange Rate shall be determined on the immediately succeeding SER Scheduled Trading Day which is not a SER Disrupted Day unless the Calculation Agent determines that no such SER Scheduled Trading Day which is not a SER Disrupted Day has occurred on or before the day falling the SER Maximum Days of Postponement following the originally designated SER Valuation Date, as the case may be. In such event, the Settlement Exchange Rate shall be determined on the next SER Scheduled Trading Day after the SER Maximum Days of Postponement (notwithstanding the fact that day may be a SER Disrupted Day) in accordance with the next applicable SER Disruption Fallback.

**"SER Maximum Cumulative Days of Postponement"** means the number of days specified as such in the Issue Terms or, if no such number is specified, 30 calendar days.

**"SER Maximum Days of Postponement"** means the number of days specified as such in the Issue Terms or, if no such number is specified, 30 calendar days.

**"SER Number of Settlement Days"** means, in respect of a SER Subject Currency, the number of days on which commercial banks are open (or, but for the occurrence of a SER Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each SER Settlement Day Centre specified as such in the Issue Terms (each, a **"SER Settlement Day"**). Where no such number or zero is so specified, then such rate shall be for settlement on the same day.

**"SER Price Materiality Percentage"** means the percentage specified as such in the Issue Terms or, if no such percentage is specified, 3 per cent.

**"SER Price Source"** means the price source(s) specified as such in the Issue Terms (or any successor to such price source(s) as determined by the Calculation Agent).

**"SER Primary Rate"** means the rate specified as such in the Issue Terms.

**"SER Secondary Rate"** means the rate specified as such in the Issue Terms.

**"SER Scheduled Trading Day"** means a day on which commercial banks are open (or, but for the occurrence of a SER Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each SER Scheduled Trading Day Jurisdiction specified in the Issue Terms Provided That where the SER Subject Currency is BRL, then notwithstanding the foregoing, if the relevant SER Valuation Date falls on a date that, as the Trade Date, is not a scheduled day on which commercial banks are open (or, but for the occurrence of a Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of

## ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

the foreign exchange market) in New York City (an **"NYC Business Day"**), then no adjustment to such date shall be made on account of the fact that such date is not an NYC Business Day.

**"SER Subject Currency"** means the currency specified as such in the Issue Terms.

**"SER Subject Currency Jurisdiction"** means each country for which the SER Subject Currency is the lawful currency.

**"SER Unscheduled Holiday"** means a day that is not a SER Scheduled Trading Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00a.m. local time in the principal financial centre of the SER Subject Currency two SER Scheduled Trading Days prior to the relevant scheduled SER Valuation Date.

**"SER Valuation Date"** means any date specified as such in the Issue Terms or, if such day is not a SER Scheduled Trading Day, the immediately preceding SER Scheduled Trading Day and, in the event of a SER Unscheduled Holiday, subject to adjustment as set out in Payout Condition 6.1(c) above, unless, in the opinion of the Calculation Agent, the resultant day is a SER Disrupted Day, in which case the provisions of Payout Condition 6.1(b) shall apply. Where the amount so due is the Early Redemption Amount, then the SER Valuation Date shall be deemed to be the fifth SER Scheduled Trading Day prior to the date of early redemption of the Notes.

**"SER Valuation Time"** means, unless otherwise specified in the Issue Terms, the time at which the SER Price Source publishes the relevant rate or rates from which the Settlement Exchange Rate is calculated.



## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

### ANNEX 2

#### ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

*If specified as applicable in the Issue Terms, the terms and conditions applicable to Index Linked Notes shall comprise the General Conditions and the additional terms and conditions for Index Linked Notes set out below (the "**Index Linked Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Issue Terms and subject to completion in the Issue Terms. In the event of any inconsistency between the General Conditions and the Index Linked Conditions, the Index Linked Conditions shall prevail. In the event of any inconsistency between the Index Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Index Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail.*

#### 1. **Disrupted Day**

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day would have been an Automatic Early Redemption Valuation Date, an Averaging Date, any Knock-in Determination Day or Knock-out Determination Day, an Observation Date, or a Valuation Date, as the case may be.

#### 2. **Adjustments to an Index**

##### (a) **Successor Index Sponsor Calculates and Reports an Index**

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

##### (b) **Modification and Cessation of Calculation of an Index**

If (i) on or prior to the last Automatic Early Redemption Valuation Date, the last Averaging Date, last Knock-in Determination Day, last Knock-out Determination Day, last Observation Date or last Valuation Date, the relevant Index Sponsor makes or announces that it will make a material change in the formula for, or the method of, calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an "**Index Modification**"), or permanently cancels a relevant Index and no Successor Index exists (an "**Index Cancellation**"), or (ii) on an Automatic Early Redemption Valuation Date, an Averaging Date, a Knock-in Determination Day or Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be, the Index Sponsor or (if applicable) the Successor Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**") and, together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then:

- (i) the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant Settlement Level using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Automatic Early Redemption Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, Observation Date or Valuation Date, as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event; or

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

- (ii) unless Delayed Redemption on Occurrence of Index Adjustment Event is specified as being applicable in the Issue Terms, on giving notice to Noteholders in accordance with General Condition 12, the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of a Note, taking into account the Index Adjustment Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the "**Calculated Index Adjustment Amount**"), 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 Noteholders in accordance with General Condition 12; or
- (iii) if Delayed Redemption on Occurrence of Index Adjustment Event is specified as being applicable in the Issue Terms, the Calculation Agent shall calculate the Calculated Index Adjustment Amount as soon as practicable following the occurrence of the Index Adjustment Event (the "**Calculated Index Adjustment Amount Determination Date**") and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to the Calculated Index Adjustment Amount plus interest accrued on the Calculated Index Adjustment Amount on a daily basis from and including the Calculated Index Adjustment Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day.

Notwithstanding (i), (ii) and (iii) above, if there are any options or future contracts of the Index traded on the Related Exchange, the Calculation Agent may instead in its sole and absolute discretion, upon the occurrence of an Index Adjustment Event, make the corresponding adjustments made on any Related Exchange (an "**Exchange Based Adjustment**").

(c) Notice

Upon the occurrence of an Index Adjustment Event, the Calculation Agent shall, as soon as practicable, other than in the case of an Exchange Based Adjustment notify the Issuer of any determination made by it pursuant to paragraph (b) above and the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12 stating the occurrence of the Index Adjustment Event, giving details thereof and the action proposed to be taken in relation thereto, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Index Adjustment Event or the proposed action.

### 3. Correction of Index

With the exception of any corrections published after the day which is three Exchange Business Days prior to the due date for any payment under the Notes calculated by reference to the level of an Index, if the relevant level of the Index published on a given day which is used or to be used by the Calculation Agent to make any determination under the Notes is subsequently corrected and the correction is published by the relevant Index Sponsor or (if applicable) the relevant Successor Index Sponsor, (i) in respect of a Composite Index, no later than five Exchange Business Days following the date of the original publication or, (ii) in respect of an Index which is not a Composite Index, within the number of days equal to the Index Correction Period of the original publication, the level to be used shall be the level of the Index as so corrected. Corrections published after the day which is three Exchange Business Days prior to a due date for payment under the Notes calculated by reference to the level of the Index will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

### 4. Additional Disruption Events

- (a) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (if applicable) (iii) below:

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to the Weighting and/or any of the other terms of the General Conditions, these Index Linked Conditions and/or the Issue Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
  - (ii) unless Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the Issue Terms, redeem the Notes by giving notice to Noteholders in accordance with General Condition 12. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note, taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the "**Calculated Additional Adjustment Amount**"), 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 Noteholders in accordance with General Condition 12; or
  - (iii) if Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the Issue Terms, the Calculation Agent shall calculate the Calculated Additional Disruption Amount as soon as practicable following the occurrence of the Additional Disruption Event (the "**Calculated Additional Disruption Amount Determination Date**") and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Additional Disruption Amount plus interest accrued on the Calculated Additional Disruption Amount on a daily basis from and including the Calculated Additional Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, at its nominal amount.
- (b) Upon the occurrence of an Additional Disruption Event, if the Calculation Agent determines that an adjustment in accordance with the above provisions is necessary it shall notify the Issuer thereof as soon as practicable and the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12 stating the occurrence of the Additional Disruption Event, giving details thereof and the action proposed to be taken in relation thereto, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event or the proposed action.

### 5. Knock-in Event and Knock-out Event

- (a) This Index Linked Condition 5 is applicable only if:
  - (i) Knock-in Event is specified as applicable in the Issue Terms, in which case any payment under the Notes which is expressed to be subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event; or
  - (ii) Knock-out Event is specified as applicable in the Issue Terms, in which case any payment under the relevant Notes which is expressed to be subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.
- (b) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Valuation Time the level of the Index triggers the Knock-in Level or the Knock-out Level, a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred; provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the level of the Index as at the

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

- (c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is any time or period of time other than the Valuation Time during the regular trading hours on the relevant Exchange and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one-hour period that begins or ends at the time on which the level of the Index triggers the Knock-in Level or the Knock-out Level, a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the level of the Index as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

### 6. Automatic Early Redemption Event

If "**Automatic Early Redemption Event**" is specified as applicable in the Issue Terms, then unless previously redeemed or purchased and cancelled, if (i) on any Automatic Early Redemption Valuation Date or (ii) in respect of an Automatic Early Redemption Valuation Period if on any or all Automatic Early Redemption Valuation Date(s), as specified in the Issue Terms, an Automatic Early Redemption Event occurs, then the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date or Automatic Early Redemption Valuation Period, as applicable, and the Issuer shall redeem each Note of a nominal amount equal to the Calculation Amount at an amount in the relevant currency specified in the Issue Terms equal to the relevant Automatic Early Redemption Amount.

### 7. Definitions

"**Additional Disruption Event**" means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and/or Loss of Stock Borrow, in each case if specified in the Issue Terms.

"**Affiliate**" means in relation to any entity (the "**First Entity**"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes control means ownership of a majority of the voting power of an entity.

"**Automatic Early Redemption Amount**" means an amount, in respect of each nominal amount of Notes equal to the Calculation Amount, being the Automatic Early Redemption Payout set out in the Issue Terms.

"**Automatic Early Redemption Date**" means each date specified as such in the Issue Terms or if such date is not a Business Day, the next following Business Day, and no Noteholder shall be entitled to any interest or further payment in respect of such delay.

"**Automatic Early Redemption Event**" means the AER Value is (A),

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

the Automatic Early Redemption Level, (i), (ii), (iii) or (iv) applying or (B) within or outside the Automatic Early Redemption Range, as specified in the Issue Terms.

**"Automatic Early Redemption Level"** means the level, amount, number or percentage specified as such in the Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Index Linked Conditions.

**"Automatic Early Redemption Payout"** is as specified in the applicable Issue Terms.

**"Automatic Early Redemption Range"** means the range of levels, amounts, numbers or percentages specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Index Linked Condition.

**"Automatic Early Redemption Valuation Date"** means each date specified as such in the Issue Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the Automatic Early Redemption Valuation Date shall be delayed in accordance with the corresponding provisions of the definition of Valuation Date which shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

**"Automatic Early Redemption Valuation Period"** means each period specified as such in the Issue Terms;

**"Automatic Early Redemption Valuation Time"** has the meaning given it in the Issue Terms.

**"AER Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2 (*Value Definitions*).

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

- (a) **"Omission"** is specified as applying in the Issue Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Level provided that, if through the operation of this provision no Averaging Dates would occur, then the Averaging Date will not be omitted and the provisions of the definition of **"Valuation Date"** will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **"Postponement"** is specified as applying in the Issue Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **"Modified Postponement"** is specified as applying in the Issue Terms then:
  - (i) where the Notes are Index Linked Notes relating to a single Index, the Averaging Date shall be the first succeeding Valid Date (as defined in (ii) below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

for that Averaging Date in accordance with sub-paragraph (b) of the definition of Valuation Date below;

- (ii) where the Notes are Index Linked Notes relating to a Basket of Indices, the Averaging Date for each Index shall be the first succeeding Valid Date in relation to every Index forming part of the Basket of Indices. If the first succeeding Valid Date in relation to every Index forming part of the Basket of Indices has not occurred for a number of consecutive Scheduled Trading days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date) in respect of every Index forming part of the Basket of Indices, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b) of the definition of Valuation Date below; and
- (iii) for the purposes of these Terms and Conditions "**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Basket of Indices**" means a basket composed of each Index specified in the Issue Terms subject to the Weightings.

"**Change of Law**" means that, on or after the Trade Date (as specified in the Issue Terms) (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in its sole and absolute discretion that (A) it has become illegal to hold, acquire or dispose of any relevant hedge positions relating to an Index and/or (B) the Issuer will incur a materially increased cost in performing its obligations in relation to the Index Linked 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).

"**Clearance System**" means the principal domestic clearance system customarily used for settling trades in the relevant securities.

"**Clearance System Business Days**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event results in the Clearance System being unable to clear the transfer of a relevant security would have been) open for the acceptance and execution of settlement instructions.

"**Component Security**" means, in respect of a Composite Index, each component security of such Index.

"**Composite Index**" means any Index specified as such in the Issue Terms, or if not specified, any Index the Calculation Agent determines as such.

"**Coupon Valuation Time**" means the time specified as such in the applicable Issue Terms.

"**Disrupted Day**" means any day which is:

- (a) (i) in the case of a Composite Index, any Scheduled Trading Day on which: (x) the Index Sponsor fails to publish the level of the Index; (y) the Related Exchange fails to open for trading during its regular trading session; or (z) a Market Disruption Event has occurred; or

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

- (ii) in the case of any Index which is not a Composite Index, any Scheduled Trading Day on which (x) the relevant Exchange and/or any Related Exchange fails to open for trading during their regular trading session or (y) a Market Disruption Event has occurred; or
- (b) Where Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Issue Terms for (i) Index Linked Notes and (ii) Equity Linked Notes and/or Fund Linked Notes, a Disrupted Day occurs under and as defined in the Equity Linked Conditions and/or the Fund Linked Conditions.

**"Early Closure"** means:

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day; and
- (b) in the case of any Index which is not a Composite Index, the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of such 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.

**"Exchange"** means:

- (a) in the case of a Composite Index, in respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent; and
- (b) in the case of any Index which is not a Composite Index, each exchange or quotation system specified as such for such Index in the Issue Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange).

**"Exchange Business Day"** means either (i) in the case of a single Index, Exchange Business Day (Single Index Basis) or (ii) in the case of a basket of Indices or other assets, (a) Exchange Business Day (All Indices Basis) or (b) Exchange Business Day (Per Index Basis) or (c) Exchange Business Day (Cross Asset Basis), in each case as specified in the Issue Terms, provided that if no such specification is made in the Issue Terms, Exchange Business Day (All Indices Basis) shall apply.

**"Exchange Business Day (All Indices Basis)"** means any Scheduled Trading Day on which (i) in respect of all Indices other than Composite Indices, each Exchange and each Related Exchange are open for trading during their respective regular trading sessions in respect of such Indices, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (ii) in respect of all Composite Indices, (a) the Index Sponsor publishes the level of such Composite Indices and (b) each Related Exchange (if any) is open for trading during its regular trading session in respect of such Composite Indices, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

**"Exchange Business Day (Cross Asset Basis)"** means, in respect of a basket of assets, any Scheduled Trading Day on which (i) in respect of all Indices other than Composite Indices, each relevant Exchange and each Related Exchange (if any) is open for trading during its regular trading session in respect of such Indices comprised in the basket (notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time) and (ii) in respect of all Composite Indices, (a) the relevant Index Sponsor publishes the level of such Composite Indices and (b) each Related Exchange (if any) in respect of each Composite Index is open for trading during its regular trading session (notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time) which, in each case, is also an Exchange Business Day under and as defined in the Equity Linked Conditions and/or the Fund Linked Conditions, as applicable.

**"Exchange Business Day (Per Index Basis)"** means in respect of any Index:

- (a) in the case of any Composite Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of such Composite Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding such Related Exchange closing prior to its Scheduled Closing Time; and
- (b) in any other case, any Scheduled Trading Day on which the relevant Exchange and Related Exchange in respect of such Index are open for trading during their respective regular trading session(s), notwithstanding any such Exchange or Related Exchange closing prior to their Scheduled Closing Time.

**"Exchange Business Day (Single Index Basis)"** means any Scheduled Trading Day on which (i) in respect of all Indices other than a Composite Index, the relevant Exchange and the relevant Related Exchange, if any, are open for trading during their regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its Scheduled Closing Time and (ii) in respect of a Composite Index (a) the relevant Index Sponsor publishes the level of such Composite Index and (b) the relevant Related Exchange, if any, is open for trading during their regular trading session in respect of such Composite Index, notwithstanding such Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Disruption"** means:

- (a) in the case of any Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (A) any Component Security on the Exchange in respect of such Component Security; or (B) in futures or options contracts relating to such Index on the Related Exchange; and
- (b) in the case of any Index which is not a Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for on any relevant Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange.

**"Hedging Disruption"** means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer, issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"Hedging Shares"** means the number of securities comprised in an Index that the Issuer and/or any of its Affiliates deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.



## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED 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) (a) to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (b) to 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 security comprised in an Index that is greater than the Initial Stock Loan Rate.

**"Index"** and **"Indices"** mean, subject to adjustment in accordance with these Index Linked Conditions, the index or indices specified in the Issue Terms and related expressions shall be construed accordingly.

**"Index Correction Period"** means (a) the period specified in the Issue Terms, or (b) if none is so specified, one Settlement Cycle.

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

**"Initial Stock Loan Rate"** means, in respect of a security comprised in an Index, the initial stock loan rate specified in relation to such security in the Issue Terms.

**"Knock-in Determination Day"** means the date(s) specified as such in the Issue Terms, or otherwise each Scheduled Trading Day during the Knock-in Determination Period.

**"Knock-in Determination Period"** means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

**"Knock-in Event"** means the Knock-in Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-in Level or (B) within or outside the Knock-in Range (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Issue Terms,

**"Knock-in Level"** means the level, amount, number or percentage specified as such in the Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Index Linked Conditions.

**"Knock-in Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

**"Knock-in Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-in Range"** means the range of levels, amounts, numbers or percentages specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Index Linked Conditions;

**"Knock-in Valuation Time"** means the time or period of time on any Knock-in Determination Day specified as such in the Issue Terms or in the event that the Issue Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

**"Knock-in Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

**"Knock-out Determination Day"** means the date(s) as specified in the Issue Terms, or otherwise each Scheduled Trading Day during the Knock-out Determination Period.

**"Knock-out Determination Period"** means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

**"Knock-out Event"** means the Knock-out Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-out Level or (B) within or outside the Knock-out Range (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Issue Terms,

**"Knock-out Level"** means the level, amount, number or percentage specified as such in the Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Index Linked Conditions.

**"Knock-out Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-out Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-out Range"** means the range of levels, amounts, numbers or percentages specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Index Linked Conditions.

**"Knock-out Valuation Time"** means the time or period of time on any Knock-out Determination Day specified as such in the Issue Terms or in the event that the Issue Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

**"Knock-out Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

**"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 securities comprised in an Index in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

**"Market Disruption Event"** means:

- (a) in respect of a Composite Index either:
  - (i) (a) the occurrence or existence, in respect of any Component Security, of:
    - (1) 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 (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index would trigger respectively the Knock-in Event or the Knock-out Event or (b) in all other circumstances ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
    - (2) 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 (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index would trigger respectively the Knock-in Event or the Knock-out Event or (b) in all other circumstances ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
    - (3) an Early Closure in respect of such Component Security; and
  - (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of such Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to such Index, of: (1) a Trading Disruption; (2) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index would trigger respectively the Knock-in Event or the Knock-out Event or (b) in all other circumstances ends at the Valuation Time in respect of the Related Exchange; or (3) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security to (y) the overall level of such Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market opening data; and

- (b) in the case of Indices other than Composite Indices, 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 (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index triggers

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

respectively the Knock-in Level or the Knock-out Level or (b) in all other circumstances ends at the relevant Valuation Time, or (iii) an Early Closure.

For the purposes of determining whether a Market Disruption Event in respect of such Index exists at any time, if a Market Disruption Event occurs in respect of a security included in such Index at any time, then the relevant percentage contribution of that security to the level of such Index shall be based on a comparison of (x) the portion of the level of such Index attributable to that security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

**"Maximum Stock Loan Rate"** means, in respect of a security comprised in an Index, the Maximum Stock Loan Rate specified in the Issue Terms.

**"Observation Date"** means each date specified as an Observation Date in the Issue Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to Omission, Postponement or Modified Postponement, as specified in the Issue Terms, contained in the definition of Averaging Date shall apply *mutatis mutandis* as if references in such provisions to Averaging Date were to Observation Date.

**"Observation Period"** means the period specified as the Observation Period in the Issue Terms.

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

**"Relevant Level"** means, subject as referred to in relation to Averaging Date, Observation Date, Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day as the case may be in the case of an Index, an amount equal to the official closing level of the Index or, in relation to a Composite Index, the official closing level of such Index as published by the relevant Index Sponsor, in each case as determined by the Calculation Agent or, if so specified in the Issue Terms, the level of the Index determined by the Calculation Agent as set out in the Issue Terms at the Valuation Time on (i) if Averaging is not specified in the Issue Terms, the relevant Settlement Level Date, or (ii) if Averaging is specified in the Issue Terms, each Averaging Date.

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

**"Scheduled Trading Day"** means either (i) in the case of a single Index, Scheduled Trading Day (Single Index Basis) or (ii) in the case of a Basket of Indices, (a) Scheduled Trading Day (All Indices Basis) or (b) Scheduled Trading Day (Per Index Basis) or (c) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the Issue Terms, provided that if no such specification is made in the Issue Terms, Scheduled Trading Day (All Indices Basis) shall apply.

**"Scheduled Trading Day (All Indices Basis)"** means (i) in respect of each Index which is not a Composite Index, any day on which each Exchange and each Related Exchange in respect of each such Index are scheduled to be open for trading during their respective regular trading session(s), and (ii) in respect of each

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

Composite Index, any day on which (a) the Index Sponsor is scheduled to publish the level of each such Composite Index and (b) each Related Exchange is scheduled to be open for trading during its regular trading session in respect of such Composite Index.

**"Scheduled Trading Day (Cross Asset Basis)"** means, in respect of a basket of assets, any day on which (i) in respect of each Index which is not a Composite Index, each relevant Exchange and each Related Exchange (if any) in respect of each such Index is scheduled to be open for trading during its regular trading session, and (ii) in respect of each Composite Index, (a) the relevant Index Sponsor is scheduled to publish the level of each such Composite Index and (b) each Related Exchange (if any) in respect of such Composite Index is scheduled to be open for trading during its regular trading session which, in each case, is also a Scheduled Trading Day under and as defined in the Equity Linked Conditions and/or the Fund Linked Conditions, as applicable.

**"Scheduled Trading Day (Per Index Basis)"** means:

- (a) in respect of an Index other than a Composite Index, any day on which the relevant Exchange and Related Exchange in respect of such Index are scheduled to be open for trading for their respective regular trading session(s); and
- (b) in respect of any Composite Index, any day on which (i) the Index Sponsor is scheduled to publish the level of such Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**"Scheduled Trading Day (Single Index Basis)"** means any day on which (i) in respect of an Index other than a Composite Index, the relevant Exchange and the relevant Related Exchange, if any, are scheduled to be open for trading during their respective regular trading session(s), and (ii) in respect of a Composite Index (a) the relevant Index Sponsor is scheduled to publish the level of such Composite Index and (b) the relevant Related Exchange, if any, is scheduled to be open for trading during its regular trading session in respect of such Composite Index.

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

**"Screen Page"** means the page specified in the Issue Terms, or any successor page or service thereto.

**"Settlement Cycle"** means, in respect of an Index, the period of Clearance System Business Days following a trade in the securities comprising such Index on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

**"Settlement Level"** means, and subject as referred to in Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, Observation Date or Valuation Date, as the case may be:

- (a) in the case of Index Linked Notes relating to a single Index, (i) if Averaging is not specified in the Issue Terms, the Relevant Level for the relevant Settlement Level Date, or (ii) if Averaging is specified in the Issue Terms, the arithmetic mean of the Relevant Levels of the Index on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner; and
- (b) in the case of Index Linked Notes relating to a Basket of Indices, (i) if Averaging is not specified in the Issue Terms, the Relevant Level for the relevant Settlement Level Date, or (ii) if Averaging is specified in the Issue Terms, the arithmetic mean of the Relevant Levels of the Basket of Indices on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

## ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES

**"Settlement Level Date"** means the Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be.

**"Specified Maximum Days of Disruption"** means five (5) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the Issue Terms.

**"Strike Date"** means the Strike Date specified in the Issue Terms as may be adjusted in accordance with the definition of "Valuation Date" below.

**"Strike Day"** means each date specified as such in the applicable Issue Terms.

**"Strike Period"** means the period specified as the Strike Period in the Issue Terms.

**"Trading Disruption"** means:

- (a) in the case of an Index which is not a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to securities that comprise 20 per cent. or more of the level of such Index on any relevant Exchange(s) or (b) in futures or options contracts relating to such Index on any relevant Related Exchange; and
- (b) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

**"Valuation Date"** means the Coupon Valuation Date, Strike Date and/or the Redemption Valuation Date, as the case may be, specified in the Issue Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Index Linked Notes relating to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Level by determining the level of the Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted level as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day); or
- (b) in the case of Index Linked Notes relating to a Basket of Indices, the Valuation Date for each Index, shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any Index forming part of the Basket of Indices unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day in respect of Index of the Basket of Indices. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for each Index of the Basket of Indices, notwithstanding the fact that such day is a Disrupted Day

## **ADDITIONAL TERMS AND CONDITIONS FOR INDEX LINKED NOTES**

with respect to any Index, and (ii) the Calculation Agent shall determine the Settlement Level using the level of that Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted level as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on the last such consecutive Scheduled Trading Day) and otherwise in accordance with the above provisions.

**"Valuation Time"** means:

- (a) the Coupon Valuation Time or the Valuation Time, as the case may be, specified in the Issue Terms; or
- (b) if not specified in the Issue Terms:
  - (i) in the case of a Composite Index, means in respect of such Index: (A) for the purposes of determining whether a Market Disruption Event has occurred: (x) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (y) in respect of 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 at which the official closing level of the Index is calculated and published by the Index Sponsor; or
  - (ii) in the case of any Index which is not a Composite Index, means the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the specified Coupon Valuation Time or Valuation Time, as the case may be, is after the actual closing time for its regular trading session, then the Coupon Valuation Time or Valuation Time, as the case may be, shall be such actual closing time.

**"Weighting"** means the weighting to be applied to each item comprising the Basket of Indices as specified in the Issue Terms.

### **8. Index Disclaimer**

The Index Linked Notes are not sponsored, endorsed, sold or promoted by any Index or any Index Sponsor and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Index Linked Notes. The Issuer shall have no liability to the Noteholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date, neither the Issuer nor its Affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Indices from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

### ANNEX 3

#### ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

*If specified as applicable in the Issue Terms, the terms and conditions applicable to Equity Linked Notes shall comprise the General Conditions and the additional terms and conditions for Equity Linked Notes set out below (the "**Equity Linked Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Issue Terms and subject to completion in the Issue Terms. In the event of any inconsistency between the General Conditions and the Equity Linked Conditions, the Equity Linked Conditions shall prevail. In the event of any inconsistency between the Equity Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Equity Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail.*

#### 1. **Disrupted Day**

The Calculation Agent shall give notice as soon as practicable to the Issuer, the relevant Paying Agent and the Noteholders in accordance with General Condition 12 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Automatic Early Redemption Valuation Date, an Averaging Date, a Knock-in Determination Day or a Knock-out Determination Day, an Observation Date or a Valuation Date, as the case may be.

#### 2. **Depository Receipts**

##### (a) Application of Depository Receipt provisions

If "Depository Receipt provisions" are specified as applicable in the Issue Terms, for the purposes of these Equity Linked Conditions in relation to each relevant Depository Receipt:

- (i) references to "**Share**" or "**Shares**" shall be deemed to include an ordinary share or ordinary shares or other relevant equity securities, as the case may be, of the Share Company or Basket Company to which the relevant Depository Receipts specified in the Issue Terms relate;
- (ii) references to "**Exchange**" shall, in the context of the ordinary shares or other relevant equity securities of the Share Company or Basket Company, be deemed to be references to the Share Exchange specified in the Issue Terms;
- (iii) references to "**Share Company**" or "**Basket Company**" shall, in the context of a Depository Receipt, be deemed to include references to the issuer or obligor of the Depository Receipts;
- (iv) with respect to Depository Receipts only, the following additional event shall constitute a Potential Adjustment Event for the purposes of Equity Linked Condition 3;
- (v) "a distribution in respect of the Shares of property other than cash, shares or rights relating to any Shares to the holder(s) of the Shares"; and
- (vi) with respect to Depository Receipts only, the following events shall constitute Additional Disruption Events for the purposes of Equity Linked Condition 5:
  - (A) a Termination; and
  - (B) an Adjustment Event.



## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

(b) Definitions specific to Depositary Receipts

**"Adjustment Event"** means (a) the terms and conditions of the Depositary Receipts have been altered or any adjustment or modification has been made pursuant to such terms and conditions (in each case whether by the Share Company or Basket Company or any party having influence over such terms and conditions) or the Depositary Receipts are converted into other securities and/or (b) the aggregate amounts (or currency thereof) to which a holder is entitled under the Depositary Receipts are altered.

**"Depositary Receipt"** means a depositary receipt relating to ordinary shares or other relevant equity securities issued by a Share Company or Basket Company, as specified in the Issue Terms, subject to adjustment pursuant to the provisions specified in Equity Linked Conditions 3 and 4.

**"Termination"** means, in relation to an issue of Depositary Receipts, such issue has been terminated, cancelled or otherwise ceased to be outstanding for any reason. This shall include, without limitation, the termination of the deposit agreement in respect of the Shares and/or written instructions being given by the Share Company or Basket Company to the depositary of the Shares to withdraw or surrender the Shares.

### 3. Potential Adjustment Events and Extraordinary Events

(a) Potential Adjustment Events

(i) **"Potential Adjustment Event"** means any of the following:

- (A) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (B) a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (C) an extraordinary dividend as determined by the Calculation Agent;
- (D) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;
- (E) a repurchase by the Basket Company or its subsidiaries or Share Company or its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (F) in respect of a Basket Company or Share Company, as the case may be, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, certificates, debt

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

instruments or stock rights at a price below their market value as determined by the Calculation Agent;

(G) any adjustment effected as a result of any shareholder rights plan or arrangement as described in 3(a)(i)(D) above; or

(H) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative or other effect on the theoretical value of the relevant Shares.

(ii) "**Potential Adjustment Event Effective Date**" means, in respect of a Potential Adjustment Event, the date on which such Potential Adjustment Event is announced by the relevant Basket Company or Share Company, as the case may be, as determined by the Calculation Agent in its sole and absolute discretion.

(iii) Following the declaration by the Basket Company or Share Company, as the case may be, of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement (where the Notes are Physically Settled Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange ("**Exchange Based Adjustment**") to options on the Shares traded on that options exchange.

(iv) Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall, other than where Exchange Based Adjustment applies notify the Issuer as soon as practicable and the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12, stating the occurrence of the Potential Adjustment Event, giving details thereof and the adjustment to be taken in relation thereto, provided that any failure to give or non-receipt of such notice will not affect the validity of such Potential Adjustment Event or Potential Adjustment Event Effective Date or the adjustment in relation thereto.

### (b) Extraordinary Events

The occurrence of any of De-Listing, Insolvency, Merger Event, Nationalisation, Tender Offer (unless Tender Offer is specified as not applicable in the Issue Terms), or, if specified as applicable in the Issue Terms, Illiquidity, Listing Change or Listing Suspension, as the case may be, shall be deemed to be an "**Extraordinary Event**", the consequences of which are set forth below:

"**De-Listing**" means, in respect of any relevant Shares, that the Exchange announces pursuant to the rules of such Exchange, that such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on (i) where the Exchange is located in the United States, any of the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market System (or their respective successors) or (ii) a comparable exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

**"Illiquidity"** means, in respect of Equity Linked Notes that, in the determination of the Calculation Agent, during any period of five consecutive Scheduled Trading Days falling after the Issue Date (the "Relevant Period"), (a) the difference between the bid prices and the ask prices in respect of any relevant Share during the Relevant Period is greater than 1 per cent. (on average), and/or (b) the average purchase price or the average selling price, (each of (a) and (b) determined by the Calculation Agent from the order book of the relevant Share on the relevant Exchange during the Relevant Period), in relation to the purchase or sale of Shares with a value equal to or greater than EUR 10,000.00 (or its equivalent in any other currency as determined by the Calculation Agent at such time and by reference to such sources as it determines appropriate), is greater than MID plus 1 per cent. of MID (in relation to a purchase of Shares) or lower than the MID minus 1 per cent. of MID (in relation to a sale of Shares). For these purposes, "MID" means an amount equal to (a) the sum of the bid price and the ask price, in each case for the relevant Share at the relevant time, (b) divided by two.

**"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them.

**"Listing Change"** means, in respect of any relevant Shares, that such Shares cease (or will cease) to be listed, traded or publicly quoted on the listing compartment or the relevant market of the Exchange on which such Shares were listed, traded or publicly quoted on the Issue Date, for any reason (other than a Merger Event or Tender Event or where this is a De-Listing).

**"Listing Suspension"** means, in respect of any relevant Shares, that the listing of such Shares on the Exchange has been suspended (other than where this is a De-Listing).

**"Merger Event"** means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the relevant Extraordinary Event Effective Date is on or before (a) in the case of Cash Settled Notes, the latest of the last occurring Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, Observation Date or Valuation Date or, where Averaging is specified in the Issue Terms, the final Averaging Date or (b) in the case of Physically Settled Notes, the relevant Maturity Date.

**"Nationalisation"** means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise transferred to any governmental agency, authority, entity or instrumentality thereof.

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

**"Tender Offer"** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 30 per cent. and less than 100 per cent. (the **"Percentage Range"**) of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

(c) Consequences of the occurrence of an Extraordinary Event:

If an Extraordinary Event occurs in relation to a Share, the Issuer in its sole and absolute discretion may take the action described in (i), (ii), (iii), (iv) (if applicable), (v) or, in the case of Notes relating to a Basket of Shares only, (vi) 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 Relevant Asset and/or the Entitlement (in each case where the Notes are Physically Settled Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms to account for the relevant Extraordinary Event, and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the relevant Extraordinary Event made by any options exchange to options on the Shares traded on that options exchange. In addition, in relation to a Basket of Shares, the Calculation Agent may adjust the Basket of Shares in accordance with the provisions of subparagraph (vi) below;

(ii) in the case of Equity Linked Notes relating to a Basket of Shares, redeem the Notes in part by giving notice to Noteholders in accordance with General Condition 12. If the Notes are so redeemed in part the portion (the **"Redeemed Amount"**) of each Note representing the affected Share(s) shall be redeemed and the Issuer will:

pay to each Noteholder in respect of each Note held by him an amount equal to the fair market value of the Redeemed Amount, taking into account the relevant Extraordinary Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion; and

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 Relevant Asset and/or the Entitlement (in each case where the Notes are Physically Settled Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms to account for such redemption in part. For the avoidance of doubt the remaining part of each Note after such cancellation and adjustment shall remain outstanding with full force and effect. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 12;

(iii) unless Delayed Redemption on the Occurrence of an Extraordinary Event is specified as being applicable in the Issue Terms, on giving notice to Noteholders in accordance with General Condition 12, redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of a Note taking into account the relevant Extraordinary Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **"Calculated Extraordinary Event Amount"**), all as determined by the Calculation Agent in its sole and absolute discretion.

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 12;

- (iv) if Delayed Redemption on the Occurrence of an Extraordinary Event is specified as being applicable in the Issue Terms, require the Calculation Agent to calculate the Calculated Extraordinary Event Amount as soon as practicable following the occurrence of the relevant Extraordinary Event (the "**Calculated Extraordinary Event Amount Determination Date**") and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Extraordinary Event Amount plus interest accrued on the Calculated Extraordinary Event Amount on a daily basis from and including the Calculated Extraordinary Event Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount;
- (v) following such adjustment to the settlement terms of options on the Shares traded on such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (the "**Options Exchange**"), require the Calculation Agent to make a corresponding adjustment to any one or more of any Relevant Asset and/or the Entitlement (in each case where the Notes are Physically Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement (in each case where the Notes are Physically Settled Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for the relevant Extraordinary Event, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded; or
- (vi) on or after the relevant Extraordinary Event Effective Date, require the Calculation Agent to adjust the Basket of Shares to include a Share selected by it in accordance with the criteria for Share selection set out below (each, a "**Substitute Share**") for each Share (each, an "**Affected Share**") of each Basket Company (each, an "**Affected Basket Company**") which is affected by such Extraordinary Event and the Substitute Share will be deemed to be a "**Share**", and the issuer of such shares a "**Basket Company**", for the purposes of the Notes, and the Calculation Agent will make such adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement (in each case where the Notes are Physically Settled Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, provided that in the event that any amount payable under the Notes was to be determined by reference to an initial price (the "**Initial Price**") of the Affected Share, the relevant Initial Price of each Substitute Share will be determined by the Calculation Agent in accordance with the following formula:

$$\text{Initial Price} = A \times (B/C)$$

where:

"A" is the official closing price of the relevant Substitute Share on the relevant Exchange on the Substitution Date;

"B" is the Initial Price of the relevant Affected Share; and

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

"C" is the fair market value of the relevant Affected Share on the Substitution Date (which may, where available, be determined by reference to the official closing price of the Affected Share on the relevant Exchange and/or such other source(s) as the Calculation Agent determines appropriate).

Such substitution and the relevant adjustment to the Basket of Shares will be deemed to be effective as of the date selected by the Calculation Agent (the "**Substitution Date**") in its sole and absolute discretion and specified in the notice referred to below which may, but need not, be the relevant Extraordinary Event Effective Date.

The Weighting of each Substitute Share in the Basket of Shares will be equal to the Weighting of the relevant Affected Share.

In order to be selected as a Substitute Share, the relevant share must satisfy the following criteria, in the sole and absolute discretion of the Calculation Agent:

- (A) where the relevant Extraordinary Event is a Merger Event or a Tender Offer and the relevant share is not already included in the Basket of Shares, the relevant share shall be an ordinary share of the entity or person (other than the Affected Basket Company) involved in the Merger Event or the making of the Tender Offer, that is, or that as of the relevant Extraordinary Event Effective Date (i) is promptly scheduled to be, publicly quoted, traded or listed on an exchange or quotation system located in the same country as the relevant Exchange (or, where the relevant Exchange is within the European Union, in any member state of the European Union) and (ii) is not subject to any currency exchange controls, trading restrictions or other trading limitations; or
- (B) where (A) above does not apply, including in the case of an Extraordinary Event other than a Merger Event or a Tender Offer:
  - (1) the issuer of the share shall, to the extent possible, belong to the same economic sector as the Affected Basket Company and shall not already be included in the Basket of Shares; and
  - (2) the issuer of the share shall, to the extent possible, have a comparable market capitalisation, international standing and exposure as the Affected Basket Company in respect of the Affected Share.

Upon the occurrence of an Extraordinary Event, if the Calculation Agent determines that an adjustment in accordance with the above provisions is necessary it shall notify the Issuer thereof as soon as practicable, and the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12 stating the occurrence of the Extraordinary Event, giving details thereof and the action proposed to be taken in relation thereto, including, in the case of a Share Substitution, the identity of the Substitute Shares and the Substitution Date, provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Extraordinary Event or the proposed action.

### 4. Correction of Share Price

With the exception of any corrections published after the day which is three Exchange Business Days prior to the due date for any payment under the Notes calculated by reference to the price of a Share, if the relevant price of the relevant Share published on a given day and used or to be used by the Calculation Agent to make any determination under the Notes is subsequently corrected and the correction is published by the relevant Exchange within the number of days equal to the Share Correction Period of the original publication, the price to be used shall be the price of the relevant Share as so corrected. Corrections published after the day which is

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

three Exchange Business Days prior to a due date for payment under the Notes calculated by reference to the price of a Share will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

### 5. Additional Disruption Events

- (a) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or if applicable (iii) or, in the case of Notes linked to a Basket of Shares only, (iv) 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 Relevant Asset and/or the Entitlement (in each case with respect to Physically Settled Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
  - (ii) unless Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the Issue Terms, redeem the Notes by giving notice to Noteholders in accordance with General Condition 12. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the "**Calculated Additional Disruption Amount**"), 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 Noteholders in accordance with General Condition 12; or
  - (iii) if Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the Issue Terms, require the Calculation Agent to calculate the Calculated Additional Disruption Amount as soon as practicable following the occurrence of the Additional Disruption Event (the "**Calculated Additional Disruption Amount Determination Date**") and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Additional Disruption Amount plus interest accrued on the Calculated Additional Disruption Amount on a daily basis from and including the Calculated Additional Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater its nominal amount; or
  - (iv) in the case of Notes linked to a Basket of Shares, require Calculation Agent to adjust the Basket of Shares to include a Share selected by it in accordance with the criteria for Share selection set out below (each a "**Substitute Share**") for each Share (each an "**Affected Share**") which is affected by the Additional Disruption Event and the Substitute Share will be deemed to be a "**Share**" and the issuer of such shares a "**Basket Company**" for the purposes of the Notes, and the Calculation Agent will make such adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement (where the Notes are Physically Settled Notes) and/or the Weighting and/or any of the other terms of the General Conditions, these Equity Linked Conditions and/or the Issue Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, provided that in the event that any amount payable under the Notes was to be determined by reference to an initial price (the "**Initial Price**") of the Affected Share, the Initial Price of each Substitute Share will be determined by the Calculation Agent in accordance with the following formula:

$$\text{Initial Price} = A \times (B/C)$$

where:

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

"A" is the official closing price of the relevant Substitute Share on the relevant Exchange on the Substitution Date;

"B" is the Initial Price of the relevant Affected Share; and

"C" is the fair market value of the relevant Affected Share on the Substitution Date (which may, where available, be determined by reference to the official closing price of the Affected Share on the relevant Exchange and/or such other source(s) as the Calculation Agent determines appropriate).

Such substitution and the relevant adjustment to the Basket of Shares will be deemed to be effective as of the date selected by the Calculation Agent (the "**Substitution Date**") in its sole and absolute discretion and specified in the notice referred to below which may, but need not, be the relevant date of the Additional Disruption Event.

The Weighting of each Substitute Share in the Basket of Shares will be equal to the Weighting of the relevant Affected Share.

In order to be selected as a Substitute Share, the relevant share must be a share which, in the sole and absolute discretion of the Calculation Agent:

- (i) is not already included in the Basket of Shares;
  - (ii) the Issuer of such share belongs to the same economic sector as the Basket Company in respect of the Affected Share; and
  - (iii) the Issuer of such share has a comparable market capitalisation, international standing and exposure as the Basket Company in respect of the Affected Share.
- (b) Upon the occurrence of an Additional Disruption Event, if the Calculation Agent determines that an adjustment in accordance with the above provisions is necessary it shall notify the Issuer as soon as practicable and the Issuer shall give notice as soon as practicable to the Noteholders in accordance with General Condition 12 stating the occurrence of the Additional Disruption Event, giving details thereof and the action proposed to be taken in relation thereto, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event or the proposed action.

### 6. Knock-in Event and Knock-out Event

- (a) This Equity Linked Condition 6 is applicable only if:
- (i) Knock-in Event is specified as applicable in the Issue Terms, in which case any payment under the Notes which is expressed to be subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event; or
  - (ii) Knock-out Event is specified as applicable in the Issue Terms, in which case any payment under the relevant Notes which is expressed to be subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.
- (b) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Valuation Time a Knock-in Event or a Knock-out Event would otherwise have occurred and a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred; provided that if, by operation of this provision, no Knock-in Determination Day or



## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

- (c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is any time or period of time other than the Valuation Time during the regular trading hours on the relevant Exchange and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one hour period that begins or ends at the time at which the price of the Share would otherwise have triggered the Knock-in Event or the Knock-out Event, a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

### 7. Automatic Early Redemption Event

If "**Automatic Early Redemption Event**" is specified as applicable in the Issue Terms, then, unless previously redeemed or purchased and cancelled, if (i) on any Automatic Early Redemption Valuation Date (ii) in respect of an Automatic Early Redemption Valuation Period if on any or all Automatic Early Redemption Valuation Date(s), as specified in the Issue Terms, an Automatic Early Redemption Event occurs, the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date or Automatic Early Redemption Valuation Period, as applicable and the Issuer shall redeem each Note of a nominal amount equal to the Calculation Amount at an amount equal to the relevant Automatic Early Redemption Amount.

### 8. Definitions

"**Additional Disruption Event**" means any of Change of Law, Failure to Deliver, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Stop-Loss Event and/or Loss of Stock Borrow, in each case if specified in the Issue Terms.

"**Affiliate**" means in relation to any entity (the "**First Entity**"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes control means ownership of a majority of the voting power of an entity.

"**Automatic Early Redemption Amount**" an amount, in respect of each nominal amount of Notes equal to the Calculation Amount, being the Automatic Early Redemption Payout set out in the Issue Terms.

"**Automatic Early Redemption Date**" means each date specified as such in the Issue Terms, or if such date is not a Business Day, the next following Business Day and no Noteholder shall be entitled to any interest or further payment in respect of any such delay.

"**Automatic Early Redemption Event**" means the AER Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

(iv) less than or equal to,

the Automatic Early Redemption Price,

(i), (ii), (iii) or (iv) applying or (B) within or outside the Automatic Early Redemption Range, as specified in the Issue Terms.

**"Automatic Early Redemption Payout"** is as specified in the applicable Issue Terms.

**"Automatic Early Redemption Price"** means the price, amount, percentage or number specified as such in the Issue Terms, subject to adjustment as provided in these Equity Linked Conditions.

**"Automatic Early Redemption Range"** means the range of prices, amounts, percentages or numbers specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in these Equity Linked Conditions.

**"Automatic Early Redemption Valuation Date"** means each date specified as such in the Issue Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If any such day is a Disrupted Day, then the corresponding provisions in the definition of Valuation Date shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

**"Automatic Early Redemption Valuation Period"** means each period specified as such in the Issue Terms.

**"Automatic Early Redemption Valuation Time"** has the meaning given it in the Issue Terms.

**"AER Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

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

- (a) If **"Omission"** is specified as applying in the Issue Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that if through the operation of this provision no Averaging Dates would occur, then the provisions of the definition of Valuation Date will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **"Postponement"** is specified as applying in the Issue Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **"Modified Postponement"** is specified as applying in the Issue Terms then:
  - (i) where the Notes are Equity Linked Notes relating to a single share, the Averaging Date shall be the first succeeding Valid Date (as defined in (iii) below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

for that Averaging Date in accordance with sub-paragraph (b) of the definition of Valuation Date below;

- (ii) where the Notes are Equity Linked Notes relating to a Basket of Shares, the Averaging Date for each Share shall be the first succeeding Valid Date in relation to every Share forming part of the Basket of Shares. If the first succeeding Valid Date in relation to every Share forming part of the Basket of Shares has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) such Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of every Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b) of the definition of Valuation Date below; and
- (iii) for the purposes of these Terms and Conditions, "**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not occur.

"**Basket Company**" means each company specified as such in the Issue Terms and

"**Basket Companies**" means all such companies.

"**Basket of Shares**" means (i) a basket composed of Shares of each Basket Company specified in the Issue Terms in the Weightings or numbers of Shares of each Basket Company specified in the Issue Terms.

"**Change of Law**" means that, on or after the Trade Date (as specified in the Issue Terms) (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (A) it has become illegal to hold, acquire or dispose of any relevant Share and/or (B) it will incur a materially increased cost in performing its obligations in relation to the Equity Linked 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).

"**Clearance System**" means the principal domestic clearance system customarily used for settling trades in the relevant Share.

"**Clearance System Business Days**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event which results in the Clearance System being unable to clear the transfer of a relevant security would have been) open for the acceptance and execution of settlement instructions.

"**Coupon Valuation Time**" means the time specified as such in the applicable Issue Terms.

"**Disrupted Day**" means any Scheduled Trading Day on which:

- (a) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session;
- (b) a Market Disruption Event has occurred; or
- (c) where Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Issue Terms for (i) Equity Linked Notes and (ii) Index Linked Notes

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

and/or Fund Linked Notes, a Disrupted Day occurs under and as defined in the Index Linked Conditions and/or Fund Linked Conditions.

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

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

**"Exchange Business Day"** means either (i) in the case of a single Share, Exchange Business Day (Single Share Basis) or (ii) in the case of a basket of Shares or other assets, (a) Exchange Business Day (All Shares Basis) or (b) Exchange Business Day (Per Share Basis) or (c) Exchange Business Day (Cross Asset Basis), in each case as specified in the Issue Terms.

**"Exchange Business Day (All Shares Basis)"** means, in respect of a Basket of Shares, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading in respect of all Shares comprised in the Basket of Shares during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Business Day (Cross Asset Basis)"** means, in respect of a basket of assets, any Scheduled Trading Day on which each relevant Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of assets is open for trading during its regular trading session (notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time) which is also an Exchange Business Day under and as defined in the Index Linked Conditions and/or the Fund Linked Conditions.

**"Exchange Business Day (Per Share Basis)"** means, in respect of a Share, any Scheduled Trading Day on which the relevant Exchange and Related Exchange in respect of such Share is open for trading during its respective regular trading session, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Business Day (Single Share Basis)"** means any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange, if any, are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to their Scheduled Closing Time.

**"Exchange Disruption"** means, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the relevant Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share on any relevant Related Exchange.

**"Extraordinary Event Effective Date"** means, in respect of an Extraordinary Event, the date on which such Extraordinary Event occurs, as determined by the Calculation Agent in its sole and absolute discretion.

**"Failure to Deliver"** means failure of the Issuer and/or any of its Affiliates to deliver, when due, the Relevant Assets comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for such Shares.

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

**"Hedging Disruption"** means that the Issuer or any of its Affiliates is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the Notes, or (ii) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"Hedging Shares"** means the number of Shares that the Issuer or any of its Affiliates 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 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 (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer, issuing and performing its obligations with respect to the Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**"Increased Cost of Stock Borrow"** means that the Issuer or any of its Affiliates would incur a rate to borrow any Share that is greater than the Initial Stock Loan Rate.

**"Initial Stock Loan Rate"** means, in respect of a Share, the initial stock loan rate specified in relation to such Share in the Issue Terms.

**"Insolvency Filing"** means that a Share Company or Basket Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company or Basket Company shall not be deemed an Insolvency Filing.

**"Knock-in Determination Day"** means the date(s) specified as such in the Issue Terms, or otherwise each Scheduled Trading Day during the Knock-in Determination Period.

**"Knock-in Determination Period"** means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

**"Knock-in Event"** means the Knock-in Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-in Price or (B) within or outside the Knock-in Range (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Issue Terms,

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

**"Knock-in Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-in Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-in Price"** means the price, amount, percentage or number specified as such in the Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Equity Linked Conditions.

**"Knock-in Range"** means the range of prices, amounts, percentages or numbers specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Equity Linked Conditions;

**"Knock-in Valuation Time"** means the time or period of time on any Knock-in Determination Day specified as such in the Issue Terms or in the event that the Issue Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

**"Knock-in Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

**"Knock-out Determination Day"** means the date(s) specified as such in the Issue Terms, or otherwise each Scheduled Trading Day during the Knock-out Determination Period.

**"Knock-out Determination Period"** means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

**"Knock-out Event"** means the Knock-out Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-out Price or (B) within or outside the Knock-out Range (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Issue Terms,

**"Knock-out Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-out Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-out Price"** means the price, amount, percentage or number specified as such in the Issue Terms subject to adjustment from time to time in accordance with the provisions of these Equity Linked Conditions.

**"Knock-out Range"** means the range of prices, amounts, percentages or numbers specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions of these Equity Linked Conditions.

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

**"Knock-out Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

**"Knock-out Valuation Time"** means the time or period of time on any Knock-out Determination Day specified as such in the Issue Terms or in the event that the Issue Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

**"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 an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

**"Market Disruption Event"** means, in relation to Equity Linked Notes relating to a single Share or a Basket of Shares, in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent in its sole and absolute discretion, determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event, begins or ends at the time when the level of the relevant Share triggers respectively the occurrence of the Knock-in Event or the Knock-out Event or (b) in all other circumstances that ends at the relevant Valuation Time, or (iii) an Early Closure.

**"Maximum Stock Loan Rate"** means, in respect of a Share, the Maximum Stock Loan Rate specified in the Issue Terms.

**"Observation Date"** means each date specified as an Observation Date in the Issue Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to Omission, Postponement or Modified Postponement, as the case may be, contained in the definition of Averaging Date shall apply *mutatis mutandis* as if references in such provisions to Averaging Date were to Observation Date.

**"Observation Period"** means the period specified as the Observation Period in the Issue Terms.

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

**"Relevant Price"** means, subject as referred to in relation to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be, in the case of a Share, an amount equal to the official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the Issue Terms) quoted on the relevant Exchange for such Share on (i) if Averaging is not specified in the Issue Terms, the relevant Settlement Price Date, or (ii) if Averaging is specified in the Issue Terms, the relevant Averaging Date or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the Issue Terms) cannot be so determined and the relevant Settlement Price Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the relevant Settlement Price Date or such Averaging Date, as the case may be, if so specified in the Issue Terms) and the closing fair market selling price (or the fair market selling price at

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

the Valuation Time on the relevant Settlement Price Date or Averaging Date, as the case may be, if so specified in the Issue Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide.

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

**"Scheduled Trading Day"** means either (i) in the case of a single Share, Scheduled Trading Day (Single Share Basis) or (ii) in the case of a Basket of Shares, (a) Scheduled Trading Day (All Shares Basis) or (b) Scheduled Trading Day (Per Share Basis) or (c) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the Issue Terms.

**"Scheduled Trading Day (All Shares Basis)"** means, in respect of a Basket of Shares, any day on which each Exchange and each Related Exchange are scheduled to be open for trading in respect of all Shares comprised in the Basket of Shares for their respective regular trading sessions.

**"Scheduled Trading Day (Cross Asset Basis)"** means, in respect of a basket of assets, any day on which each Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of assets is scheduled to be open for trading for its regular trading session which is also a Scheduled Trading Day for the purpose of the Index Linked Conditions and/or the Fund Linked Conditions, as applicable.

**"Scheduled Trading Day (Per Share Basis)"** means in respect of a Basket of Shares, any day on which the relevant Exchange and Related Exchange in respect of such Share are scheduled to be open for trading for their respective regular trading sessions.

**"Scheduled Trading Day (Single Share Basis)"** means any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading during their respective regular trading session(s).

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

**"Screen Page"** means the page specified in the Issue Terms, or any successor page or service thereto.

**"Settlement Cycle"** means, in respect of a Share, the period of Clearance System Business Days following a trade in the Share on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

**"Settlement Price"** means, subject as referred to in relation to any Automatic Early Redemption Valuation Date, Averaging Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be:

- (a) in the case of Equity Linked Notes relating to a single Share, (A) if Averaging is not specified in the Issue Terms, the Relevant Price for the relevant Settlement Price Date, or (B) if Averaging is specified in the Issue Terms, the arithmetic mean of the Relevant Prices of the Share on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner; and
- (b) in the case of Equity Linked Notes relating to a Basket of Shares, (A) if Averaging is not specified in the Issue Terms, the Relevant Price for the relevant Settlement Price Date, or (ii) if Averaging is specified in the Issue Terms, the arithmetic mean of the Relevant Prices for each Share in the Basket



## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

of Shares on each Averaging Date, all as determined by or on behalf of the Calculation Agent in a commercially reasonable manner.

**"Settlement Price Date"** means any Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be.

**"Shares"** and **"Share"** mean in the case of an issue of Notes relating to a Basket of Shares, each share and, in the case of an issue of Notes relating to a single Share, the share specified in the Issue Terms and related expressions shall be construed accordingly.

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

**"Share Correction Period"** means (i) the period specified in the Issue Terms, or (ii) if none is so specified, one Settlement Cycle.

**"Specified Maximum Days of Disruption"** means five (5) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the Issue Terms.

**"Stop-Loss Event"** means, in respect of a Share, the price of any Share as quoted on the relevant Exchange for such Share at any time or the Scheduled Closing Time, as specified in the Issue Terms, on any Scheduled Trading Day that is not a Disrupted Day in respect of such Share on or after the Trade Date or, if later the Strike Date, is less than 5 per cent., or such percentage specified in the Issue Terms, of its Strike Price or, if no Strike Price is stipulated in the Issue Terms, the price given as the benchmark price for such Share in the Issue Terms, all as determined by the Calculation Agent.

**"Strike Date"** means the Strike Date specified in the Issue Terms as may be adjusted in accordance with the definition of "Valuation Date" below.

**"Strike Day"** means each date specified as such in the applicable Issue Terms.

**"Strike Period"** means the period specified as the Strike Period in the Issue Terms.

**"Trading Disruption"** means, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the Share or (b) in futures or options contracts relating to such Share on any relevant Related Exchange.

**"Valuation Date"** means the Coupon Valuation Date, Strike Date and/or Redemption Valuation Date, as the case may be, specified in the Issue Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Equity Linked Notes relating to a single Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price in the manner set out in the Issue Terms or, if not set out or if not practicable, determine the Settlement Price in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or
- (b) in the case of Equity Linked Notes relating to a Basket of Shares, the Valuation Date for each Share shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of any

## ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

Shares forming part of the Basket of Shares unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to any Share of the Basket of Shares. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for each Share of the Basket of Shares, notwithstanding the fact that such day is a Disrupted Day with respect to any Share, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the relevant affected Share, the level or value as applicable, determined in the manner set out in the Issue Terms, and, in the case of a Share, a price determined in the manner set out in the Issue Terms or, if not set out or if not practicable, using its good faith estimate of the value for the affected Share as of the Valuation Time on the last such consecutive Scheduled Trading Day and otherwise in accordance with the above provisions.

**"Valuation Time"** means Coupon Valuation Time or the Valuation Time, as the case may be, specified in the Issue Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Share to be valued provided that if the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Coupon Valuation time or the Valuation Time, as the case may be, shall be such actual closing time.

**"Weighting"** means the weighting to be applied to each item of the Basket of Shares as specified in the Issue Terms.

## ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

### ANNEX 4

#### ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

*If specified as applicable in the Issue Terms, the terms and conditions applicable to Inflation Linked Notes shall comprise the General Conditions and the additional terms and conditions for Inflation Linked Notes set out below (the "**Inflation Linked Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Issue Terms and subject to completion in the Issue Terms. In the event of any inconsistency between the General Conditions and the Inflation Linked Conditions, the Inflation Linked Conditions shall prevail. In the event of any inconsistency between the Inflation Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Inflation Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail. In the event of any inconsistency in the provisions of Inflation Linked Condition 3 and the other provisions of these Inflation Linked Conditions, the provisions of Inflation Linked Condition 3 shall prevail.*

#### 1. Delay in Publication

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Index has occurred, then the Relevant Level with respect to any Reference Month which is to be utilised in any calculation of any payment under the Notes and/or any other determination to be made in respect of the Notes (the "**Substitute Inflation Index Level**") shall be determined by the Calculation Agent (subject to Inflation Linked Condition 1(b) below), as follows:

- (a) if Related Bond is specified as applicable in the Issue Terms, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or
- (b) if (i) Related Bond is not specified as applicable in the relevant Issue Terms, or (ii) the Calculation Agent is not able to determine a Substitute Inflation Index Level under (a) above for any reason, then the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$$\text{Substitute Inflation Index Level} = \text{Base Level} \times (\text{Latest Level}/\text{Reference Level}),$$

where:

**"Base Level"** means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

**"Latest Level"** means the latest level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being determined.

**"Reference Level"** means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in "Latest Level" above.

The Issuer shall promptly give notice to Noteholders in accordance with General Condition 12 of any Substitute Inflation Index Level calculated pursuant to this Inflation Linked Condition 1.

If the Relevant Level is published or announced at any time on or after the relevant Cut-Off Date specified in the Issue Terms, then, subject as provided in Inflation Linked Condition 3 such Relevant Level will not be

## ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Inflation Linked Condition 1 will be the definitive level for that Reference Month.

### 2. Successor Index

If the Calculation Agent determines that the level of an Index has not been published by the Index Sponsor for two consecutive months and/or the Index Sponsor announces that it will no longer continue to publish or announce the Index and/or the Index Sponsor cancels the Index then the Calculation Agent shall determine a successor index (a "**Successor Index**") (in lieu of any previously applicable Index) for the purposes of the Notes as follows:

- (a) if Related Bond is specified as applicable in the Issue Terms, the Calculation Agent shall determine a Successor Index by reference to the corresponding successor index determined under the terms and conditions of the Related Bond;
- (b) if (x) Related Bond is not specified as applicable in the Issue Terms or (y) a Related Bond Redemption Event is specified as applying in the Issue Terms and has occurred and Fallback Bond is not specified as applicable in the Issue Terms, the Index Sponsor announces that it will no longer publish or announce the Index but that it will be superseded by a replacement index specified by the Index Sponsor, and the Calculation Agent determines that such replacement Index is calculated using the same or a substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be deemed the Successor Index for the purposes of the Notes from the date that such replacement Index comes into effect;
- (c) if no Successor Index has been determined under paragraphs (a) or (b) above the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If at least four responses are received, and of those responses, three or more leading independent dealers state the same index, such index will be deemed the Successor Index. If three responses are received, and two or more leading independent dealers state the same index, such index will be deemed the Successor Index. If fewer than three responses are received by the Cut-Off Date or no Successor Index is determined pursuant to this provision, the Calculation Agent will apply the provisions of paragraph (d) below;
- (d) if no Successor Index has been determined pursuant to paragraphs (a), (b) or (c) above, by the next occurring Cut-Off Date, subject as provided below, the Calculation Agent will determine an appropriate alternative index as of such Cut-Off Date for such affected Determination Date, and such index will be deemed a Successor Index for the purposes of the Notes; or
- (e) if the Calculation Agent cannot determine an appropriate alternative index pursuant to sub-paragraphs (a) to (d) above, there will be deemed to be no Successor Index and an Index Cancellation will be deemed to have occurred.

For the avoidance of doubt, the Calculation Agent shall determine the date on which the Successor Index shall be deemed to replace the Index for the purposes of the Notes. Notice of the determination of a Successor Index, the effective date of the Successor Index or the occurrence of an Index Cancellation will be given to Noteholders by the Issuer in accordance with General Condition 12.

### 3. Adjustments

- (a) Successor Index

If a Successor Index is determined in accordance with Inflation Linked Condition 2, the Calculation Agent may make any adjustment or adjustments (without limitation) to any amount payable under the Notes and/or any other relevant term of the Notes as the Calculation Agent deems necessary to

## ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

account for this. The Issuer shall give notice to the Noteholders of any such adjustment in accordance with General Condition 12.

(b) Substitute Inflation Index Level

If the Calculation Agent determines a Substitute Inflation Index Level in accordance with Inflation Linked Condition 1, the Issuer may make any adjustment or adjustments (without limitation) to (x) the Substitute Inflation Index Level determined in accordance with Index Linked Condition 1 and/or (y) any amount payable under the Notes and/or any other relevant term of the Notes, in each case, as the Calculation Agent deems necessary. The Issuer shall give notice to the Noteholders of any such adjustment in accordance with General Condition 12.

(c) Index Level Adjustment Correction

(i) The first publication or announcement of the Relevant Level (excluding any "flash" or other estimates) by the Index Sponsor for any Reference Month shall be final and conclusive and, subject to Inflation Linked Condition 3(c)(ii) and (iii) below, later revisions to the level for such Reference Month will not be used in any calculations, save that in respect of the EUR-All Items-Revised Consumer Price Index, the ESP National- Revised Consumer Price Index (CPI) and the ESP-Harmonised-Revised Consumer Price Index HCPI, revisions to the Relevant Level which are published or announced up to and including the day that is two Business Days prior to any relevant Determination Date will be valid and the revised Relevant Level for the relevant Reference Month will be deemed to be the final and conclusive Relevant Level for such Reference Month. The Issuer shall give notice to the Noteholders of any valid revision in accordance with General Condition 12.

(ii) If, within 30 days of publication or at any time prior to a Determination Date in respect of which a Relevant Level will be used in any calculation or determination in respect of such Determination Date, the Calculation Agent determines that the Index Sponsor has corrected the Relevant Level to correct a manifest error, the Calculation Agent may make any adjustment to any amount payable under the Notes and/or any other relevant term of the Notes as the Calculation Agent deems appropriate as a result of such correction and/or determine the amount (if any) that is payable as a result of that correction. The Issuer shall give notice to the Noteholders of any such adjustment and/or amount in accordance with General Condition 12.

(iii) If a Relevant Level is published or announced at any time after the Cut-Off Date in respect of a Determination Date in respect of which a Substitute Inflation Index Level was determined, the Calculation Agent may either (A) determine that such Relevant Level shall not be used in any calculation or determination under the Notes and that the Substitute Inflation Index Level shall be deemed to be the definitive Relevant Level for the relevant Reference Month, or (B) request the Issuer to make any adjustment to any amount payable under the Notes and/or any other relevant term of the Notes as it deems appropriate as a result of the announcement or publication of the Relevant Level and/or determine the amount (if any) that is payable as a result of such publication or announcement. The Issuer shall give notice to the Noteholders of any determination in respect of (A) or (B), together with any adjustment or amount in respect thereof, in accordance with General Condition 12.

(d) Currency

If the Calculation Agent determines that any event occurs affecting the Specified Notes Currency (whether relating to its convertibility; into other currencies or otherwise) which the Calculation Agent determines necessitates an adjustment or adjustments to any amount payable under the Notes, and/or any other relevant term of the Notes (including the date on which any amount is payable by the Issuer), the Issuer may make such adjustment or adjustments to such amount and/or any other relevant

## ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

term of the Notes as the Calculation Agent deems necessary. The Calculation Agent shall give notice to the Noteholders of any such adjustment in accordance with General Condition 12.

(e) Rebasing

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "**Rebased Index**") will be used for purposes of determining the Relevant Level from the date of such rebasing; provided, however, that the Calculation Agent may make (A) if Related Bond is specified as applicable in the Issue Terms, any adjustments as are made pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as before the rebasing, and/or (B) if Related Bond is not specified as applicable in the Issue Terms or a Related Bond Redemption Event has occurred, the Calculation Agent may make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased and in each case the Issuer may make any adjustment(s) to any amount payable under the Notes and/or any other term of the Notes as the Calculation Agent may deem necessary. If the Calculation Agent determines that neither (A) nor (B) above would produce a commercially reasonable result, the Calculation Agent may redeem each Note on a date notified by the Issuer to Noteholders in accordance with General Condition 12 at its fair market value, as determined by the Calculation Agent as at the date of redemption taking into account the rebasing less the cost to the Issuer and/or its Affiliates of unwinding or amending any related underlying hedging arrangements. Notice of any adjustment, redemption of the Notes or determination pursuant to this paragraph shall be given to Noteholders in accordance with General Condition 12.

(f) Index Modification

(i) If on or prior to the Cut-Off Date in respect of any Determination Date, the Calculation Agent determines that an Index Modification has occurred the Calculation Agent may (A) if Related Bond is specified as applicable in the Issue Terms, make any adjustments to any Relevant Level and/or any other relevant term of the Notes (including, without limitation, any amount payable under the Notes), consistent with any adjustments made to the Related Bond as the Calculation Agent deems necessary, or (B) if Related Bond is not specified as applicable in the Issue Terms or a Related Bond Redemption Event has occurred make only those adjustments to the Index, any Relevant Level and/or any other term of the Notes (including, without limitation, any amount payable under the Notes), as the Calculation Agent deems necessary for the modified Index to continue as the Index and to account for the economic effect of the Index Modification.

(ii) If the Calculation Agent determines that an Index Modification has occurred at any time after the Cut-Off Date in respect of any Determination Date, the Calculation Agent may determine either to ignore such Index Modification for the purposes of any calculation or determination made by the Calculation Agent with respect to such Determination Date, in which case the relevant Index Modification will be deemed to have occurred with respect to the immediately succeeding Determination Date such that the provisions of sub-paragraph (i) above will apply, or, notwithstanding that the Index Modification has occurred following the Cut-Off Date, to make any adjustments as the Calculation Agent deems fit in accordance with sub-paragraph (i) above.

(g) Consequences of an Additional Disruption Event

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may make any adjustments to any Relevant Level and/or any other relevant term of the Notes (including, without limitation, any amount payable under the Notes to account therefor or may redeem each Note on the date notified by the Issuer to Noteholders in accordance with General Condition 12 at its fair market value (as determined by the Calculation Agent) as at the date of redemption, taking into

## ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

account the relevant Additional Disruption Event, less the cost to the Issuer and/or its Affiliates of unwinding or amending any related underlying hedging arrangements. Notice of any redemption of the Notes shall be given to Noteholders in accordance with General Condition 12.

(h) Index Cancellation

If the Calculation Agent determines that an Index Cancellation has occurred, the Issuer may make any adjustments to any Relevant Level and/or any other relevant term of the Notes (including, without limitation, any amount payable under the Notes to account therefore) or may redeem each Note on the date notified by the Issuer to Noteholders in accordance with General Condition 12 at its fair market value (as determined by the Calculation Agent) as at the date of redemption, taking into account the Index Cancellation, less the cost to the Issuer and/or any Affiliates of unwinding or amending any related underlying hedging arrangements. Notice of any redemption of the Notes pursuant to this paragraph shall be given to Noteholders in accordance with General Condition 12.

### 4. Definitions

**"Additional Disruption Event"** means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the Issue Terms.

**"Change in Law"** means that, on or after the Trade Date (as specified in the Issue Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in its sole and absolute discretion that it has become illegal for the Issuer and/or any of its Affiliates to hold, acquire or dispose of any relevant hedge positions in respect of the Index for purposes of the Notes.

**"Cut-Off Date"** means, in respect of a Determination Date, five Business Days prior to such Determination Date, unless otherwise stated in the Issue Terms.

**"Delayed Index Level Event"** means, in respect of any Determination Date, that the Index Sponsor fails to publish or announce the level of the Index (the **"Relevant Level"**) in respect of any Reference Month which is relevant to the calculation of any payment under the Notes and/or any other determination in respect of the Notes, in each case by the related Cut-Off Date.

**"Determination Date"** means in respect of an Index and/or Index Level(s) or value(s) as the case may be, each date specified as such in the applicable Issue Terms.

**"Fallback Bond"** means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Index relates and which pays a coupon or redemption amount which is calculated by reference to the Index, with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds in its discretion. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

## ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES

**"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 any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"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 market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the 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.

**"Index"** means the index or indices specified in the Issue Terms or any Successor Index as determined by the Calculation Agent pursuant to Inflation Linked Condition 2 and related expressions shall be construed accordingly.

**"Index Cancellation"** means a level for the Index has not been published or announced for two consecutive months and/or the Index Sponsor cancels the Index and/or the Index Sponsor announces that it will no longer continue to publish or announce the Index and no Successor Index exists.

**"Index Modification"** means the Index Sponsor announces that it will make (in the opinion of the Calculation Agent) a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index.

**"Index Sponsor"** means the entity that publishes or announces (directly or through an agent) the level of the relevant Index which as of the Issue Date of the Notes is the Index Sponsor specified in the Issue Terms in relation to the relevant Index.

**"Rebased Index"** has the meaning given to it under Inflation Linked Condition 3 above.

**"Reference Month"** means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced. If the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level was reported.

**"Related Bond"** means the bond (if any) specified as such in the Issue Terms. If the Related Bond specified in the Issue Terms is Fallback Bond, then for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the Issue Terms as the Related Bond and "Fallback Bond Not applicable" is specified in the Issue Terms there will be no Related Bond. If a bond is selected as the Related Bond in the Issue Terms and that bond redeems or matures before the relevant Determination Date, unless "Fallback Bond Not applicable" is specified in the Issue Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination.

**"Related Bond Redemption Event"** means, if specified as applicable in the Issue Terms, at any time prior to the Maturity Date, (a) the Related Bond is redeemed, repurchased or cancelled, (b) the Related Bond becomes repayable prior to its stated date of maturity for whatever reason, or (c) the issuer of the Related Bond announces that the Related Bond will be redeemed, repurchased or cancelled prior to its stated date of maturity.

**"Relevant Level"** has the meaning given to it in the definition of Delayed Index Level Event.



## **ADDITIONAL TERMS AND CONDITIONS FOR INFLATION LINKED NOTES**

"**Strike Date**" means each date specified as a Strike Date in the Issue Terms, subject to adjustment in accordance with these Inflation Linked Conditions.

"**Strike Day**" means each date specified as such in the applicable Issue Terms.

"**Strike Period**" means the period specified as the Strike Period in the Issue Terms.

"**Successor Index**" has the meaning given to it in under Inflation Linked Condition 2.

"**Substitute Inflation Index Level**" has the meaning given in Inflation Linked Condition 1.

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

### ANNEX 5

#### ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

*If specified as applicable in the Issue Terms, the terms and conditions applicable to Fund Linked Notes shall comprise the General Conditions and the additional terms and conditions for Fund Linked Notes set out below (the "**Fund Linked Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Issue Terms and subject to completion in the Issue Terms. In the event of any inconsistency between the General Conditions and the Fund Linked Conditions, the Fund Linked Conditions shall prevail. In the event of any inconsistency between the Fund Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Fund Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail.*

#### 1. **Disrupted Day in respect of Notes linked to one or more ETFs**

The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 12 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date, a Valuation Date, an Automatic Early Redemption Valuation Date or any Knock-in Determination Day or Knock-out Determination Day, as the case may be.

#### 2. **Knock-in Event and Knock-out Event**

(a) This Fund Linked Condition 2 is applicable only if:

- (i) Knock-in Event is specified as applicable in the Issue Terms, then any payment under the Notes which is expressed to be subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event; or
- (ii) If Knock-out Event is specified as applicable in the Issue Terms, then in which case any payment under the relevant Notes which is expressed to be subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.

(b) If the Fund is an ETF and:

- (i) if the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Valuation Time a Knock-in Event or a Knock-out Event would otherwise have occurred and a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred, provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Fund Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date; and
- (ii) if the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is any time/or period of time during the regular trading hours on the relevant Exchange other than the Valuation Time and if on any Knock-in Determination Day or Knock-out Determination Day at any time during the one hour period that begins or ends at the Knock-in Valuation Time or Knock-out Valuation Time a Knock-in Event or a Knock-out Event would otherwise have occurred and a Trading Disruption, Exchange Disruption or Early Closure occurs or exists, then, the Knock-in Event or the Knock-out Event shall be

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

deemed not to have occurred, provided that if, by operation of this provision, no Knock-in Determination Day or Knock-out Determination Day would occur in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period Ending Date or Knock-out Period Ending Date shall be treated as a Valuation Date and the Calculation Agent shall determine the price of each affected Fund Share as at the Knock-in Valuation Time or Knock-out Valuation Time in accordance with the provisions contained in the definition of Valuation Date.

### 3. Automatic Early Redemption

If the Fund is an ETF and Automatic Early Redemption Event is specified as applicable in the Issue Terms, then unless previously redeemed or purchased and cancelled, if (i) on any Automatic Early Redemption Valuation Date or (ii) in respect of an Automatic Early Redemption Valuation Period if on any or all Automatic Early Redemption Valuation Date(s), as specified in the Issue Terms, an Automatic Early Redemption Event occurs, then the Notes will, subject as provided in Fund Linked Condition 6, be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date or Automatic Early Redemption Valuation Period and the Issuer shall redeem each Note at an amount equal to the relevant Automatic Early Redemption Amount.

### 4. Extraordinary Fund Events

"**Extraordinary Fund Event**" means, in the determination of the Calculation Agent, the occurrence at any time on or after the Issue Date of any of the following events and any applicable Additional Extraordinary Fund Event:

- (a) the Fund or any Fund Service Provider (iv) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger), (v) makes a general assignment or arrangement with or for the benefit of its creditors; (vi) (i) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (2) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented. for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in sub-clause (iii)(l) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not immediately dismissed, discharged, stayed or restrained; (vii) 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; (viii) 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 immediately dismissed, discharged, stayed or restrained; or (ix) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an effect analogous to any of the events specified in sub-clauses (iv) to (viii) above;
- (b) the commencement of any investigative, judicial, administrative or other civil or criminal proceedings against the Fund, any Fund Service Provider or any key personnel of such entities, if such proceedings could (in the opinion of the Calculation Agent) have an adverse impact on a Hedge Provider's rights or obligations in relation to hedging activities in respect of the Notes;

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

- (c) any Fund Service Provider or other agent or entity fulfilling such role, howsoever described in the Fund Documents as at the Issue Date, ceases to act in such capacity in relation to the Fund and is not immediately replaced in such capacity by a successor acceptable to the Calculation Agent;
- (d) (i) any of the investment objectives, investment restrictions or investment process (howsoever described) of the Fund are modified from that set out in the Fund Documents except where such change is of a formal, minor or technical nature or (ii) a material modification of the type of assets in which the Fund invests (including but not limited to a material deviation from the investment objectives, investment restrictions or investment process (howsoever described) set out in the Fund Documents);
- (e) a material modification of the Fund (including but not limited to a modification of the Fund Documents) or a material modification of the method of calculating the NAV per Fund Share, or any change in the period or timing of the calculation or the publication of the NAV per Fund Share or the occurrence of any event which in the determination of the Calculation Agent has or may have an adverse impact on the Fund or investors in the Fund (including, without limitation, the suspension of the NAV per Fund Share), in each case other than a modification or event which does not affect the Fund Shares or the Fund or any portfolio of assets to which the Fund Share relate (either alone or in common with other Fund Shares issued by the Fund);
- (f) any Fund Service Provider fails to provide the Calculation Agent, within a reasonable time, with any information that the Calculation Agent has reasonably requested regarding the investment portfolio of the Fund;
- (g) (i) the occurrence of any event affecting a Fund Share that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of the relevant Fund Share; (ii) any failure of the Fund, or its authorised representative, to deliver, or cause to be delivered, (1) information that the Fund has agreed to deliver, or cause to be delivered to the Calculation Agent or Hedge Provider, or (2) information that has been previously delivered to any Hedge Provider or the Calculation Agent, as applicable, in accordance with the Fund's, or its authorised representative's, normal practice and that any Hedge Provider deems necessary for it or the Calculation Agent, as applicable, to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the relevant Fund Share;
- (h) any of the Fund, the Fund Service Providers, howsoever described in the Fund Documents, or any other party acting on behalf of the Fund fails for any reason to calculate and publish the NAV per Fund Share within the Number of NAV Publication Days following any date scheduled for the determination of the valuation of the Fund Shares unless the cause of such failure to publish is of a technical nature and outside the control of the entity responsible for such publication;
- (i) (i) any relevant activities of or in relation to the Fund or the Fund Service Providers are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, (ii) a relevant authorisation or licence is revoked or is under review by a competent authority in respect of the Fund Service Providers, (iii) the Fund is required by a competent authority to redeem any Fund Shares and/or (iv) the Issuer and/or any Hedge Provider is required by a competent authority, the Fund or any other relevant entity to dispose of or compulsorily redeem any Fund Shares held in connection with any hedging arrangements relating to the Notes;
- (j) (i) the non-execution or partial-execution by the Fund for any reason of a subscription or redemption order in respect of any Fund Shares (including, for the avoidance of any doubt, any non-execution by the Fund pending completion of its fiscal audit), if such non-execution or partial execution could in the sole determination of any Hedge Provider have an adverse impact on any Hedge Provider's rights or obligations in relation to its hedging activities in relation to the Notes, (ii) the Fund otherwise

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

suspends or refuses transfers of any of its Fund Shares as described in the Fund Documents, (iii) if applicable, the Fund ceases to be an undertaking for collective investments under the relevant jurisdiction's legislation, (iv) the Fund otherwise suspends or refuses redemptions of any of its Fund Shares (including, without limitation, if the Fund applies any gating, deferral, suspension or other similar provisions permitting the Fund to delay or refuse redemption or transfer of Fund Shares) as described in the Fund Documents, (v) the Fund imposes in whole or in part any restriction (including, without limitation, any redemption *in specie*), charge or fee in respect of a redemption or subscription of its Fund Shares by the Issuer or any Hedge Provider or exercises its right to claw back the proceeds already paid on redeemed Fund Shares, if in any case it could in the sole determination of any Hedge Provider have an adverse impact on any Hedge Provider's rights or obligations in relation to its hedging activities in relation to the Notes, (vi) a mandatory redemption, in whole or in part, of the Fund Shares is imposed by the Fund on any one or more holders of Fund Shares at any time for any reason or (vii) the Issuer, any Hedge Provider, or any Affiliate thereof, is required by the Fund or Fund Service Provider to redeem any Fund Shares for any reason;

- (k) the aggregate net asset value of the Fund falls below the level of the NAV Barrier;
- (l) a NAV Trigger Event occurs;
- (m) any proposal to wind up the Fund or the Fund ceases to exist or there exists any litigation against the Fund or a Fund Service Provider which in the determination of the Calculation Agent could materially affect the value of the Fund Shares;
- (n) the currency or denomination of the Fund Share is amended from that set out in the Fund Documents so that the net asset value per Fund Share is no longer calculated in the same currency as at the Trade Date;
- (o) one or more of the key individuals involved with, or having supervision over, the Fund ceases to act in such capacity, and the Fund or relevant Fund Service Provider fails to appoint a replacement having similar qualifications to those of the key individual or individuals ceasing to act;
- (p) following the issue by a Fund of a new class or series (howsoever described in the Fund Documents) of shares, the Calculation Agent, determines that such new class or series of shares has or may have an adverse effect on the hedging activities of the Hedge Provider in relation to the Notes;
- (q) where the Notes are linked to a Fund Basket, a Basket Trigger Event;
- (r) there is a change in or in the official interpretation or administration of any laws or regulations relating to taxation that has or is likely to have a material adverse effect on any hedging arrangements entered into by any Hedge Provider in respect of the Notes (a "**Tax Event**") and, subject as provided below, the Issuer or the Hedge Provider has, for a period of one calendar month following the day the relevant Tax Event became known to it, used reasonable efforts to mitigate the material adverse effect of the Tax Event by seeking to transfer such hedging arrangements to any of its Affiliates, provided that the Issuer or the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period set out above for such mitigation shall be deemed satisfied on any date the Calculation Agent determines that there is no reasonable means of mitigating the Tax Event as provided above;
- (s) in connection with any hedging activities in relation to the Notes, as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, after the Issue Date, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, after such date or as a result of any other relevant event (each a "**Relevant Event**") (i) it would become unlawful or impractical for the Issuer or the Hedge Provider to hold (including, without limitation, circumstances requiring the

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

Hedge Provider or the Issuer to adversely modify any reserve, special deposit, or similar requirement or that would adversely affect the amount of regulatory capital that would have to be maintained in respect of any holding of Fund Shares or that would subject a holder of the Fund Shares or the Issuer to any loss), purchase or sell any Fund Shares of the Fund or for the Issuer or the Hedge Provider to maintain such hedging arrangements, (ii) the cost to the Issuer or the Hedge Provider of such hedging activities would be materially increased for any reason or (iii) the Issuer and/or the Hedge Provider would be subject to a material loss and, subject as provided below, the Issuer or the Hedge Provider has, for a period of one calendar week following the day the Relevant Event became known to it, used reasonable efforts to mitigate the effect of the Relevant Event by seeking to transfer such hedging arrangements to any of its Affiliates, provided that the Issuer or the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period of one calendar week set out above shall be deemed satisfied on any date the Calculation Agent determines that there is no means of mitigating the Relevant Event as provided above;

- (t) in connection with the hedging activities in relation to the Notes, if the cost to the Issuer or the Hedge Provider in relation to the Notes would be materially increased or the Issuer and/or the Hedge Provider would be subject to a material loss; or
- (u) in the case of a Fund which is an ETF, the relevant Exchange announces that pursuant to the rules of such Exchange, the relevant Fund Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on (i) where the Exchange is located in the United States, any of the New York Stock Exchange or the NASDAQ National Market System (or their respective successors) or otherwise (ii) a comparable exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

### 5. Consequences of an Extraordinary Fund Event

If the Calculation Agent determines that an Extraordinary Fund Event has occurred, including any Additional Extraordinary Fund Event specified in the Issue Terms, other than in the case of an Exchange Based Adjustment, the Calculation Agent shall notify the Issuer and the Issuer shall give notice (an "**Extraordinary Event Notice**") to the Noteholders in accordance with General Condition 13 (Notices) of the occurrence of such Extraordinary Fund Event (the date on which an Extraordinary Fund Event is given, an "**Extraordinary Fund Event Notification Date**"), giving details of the Extraordinary Fund Event and the action to be taken in respect thereof.

If an Extraordinary Fund Event occurs, the Issuer in its sole and absolute discretion may take any of the actions (each an "**Extraordinary Fund Event Action**") described in subparagraphs (a) to (c) inclusive below. Subject as provided in Fund Linked Condition 6 below, if it is impossible or not reasonably practicable to effect a Substitution, or a Termination Event has occurred, the Issuer may redeem the Notes by payment of the Termination Amount on the Termination Date.

#### (a) Adjustment

If the Issuer, in its sole and absolute discretion, determines that the action to be taken in respect of the Extraordinary Fund Event is to be "Adjustment", then the Calculation Agent may determine, in its sole and absolute discretion, the appropriate adjustment(s), if any, to be made to any one or more Fund, Fund Share and/or the Weighting and/or any of the other terms of these Terms and Conditions and/or the applicable Issue Terms to take account of the Extraordinary Fund Event and determine the effective date of such adjustment, provided that, where the Fund is an ETF, if there are any options or futures contracts on the ETF traded on the Related Exchange, the Calculation Agent may instead, in its sole and absolute discretion, make the corresponding adjustments made by any Related Exchange (an "**Exchange Based Adjustment**").

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

### (b) Substitution

A "**Substitution Event**" may be deemed to have occurred if the Calculation Agent determines that any of the Extraordinary Fund Events set out in sub-paragraphs (a) to (p) (inclusive) of Fund Linked Condition 4 or any Additional Extraordinary Fund Event specified in the Issue Terms as being a Substitution Event occurs. Following the occurrence of a Substitution Event in respect of any Fund Share, the Calculation Agent shall:

- (i) determine the weighted average price at which an investor can redeem the affected Fund Shares in the relevant Fund in such number as determined by the Calculation Agent in its sole and absolute discretion as soon as it is reasonably practicable after its determination of the Substitution Event;
- (ii) for a period of not longer than 14 calendar days after the date of its determination of the Substitution Event, use reasonable efforts to substitute the relevant Fund Shares with shares, units or other similar interests in an alternative fund which, in the determination of the Calculation Agent, has similar characteristics to the relevant Fund, including but not limited to, comparable investment objectives, investment restrictions and investment processes and has service providers acceptable to the Calculation Agent;
- (iii) if no alternative fund can be determined pursuant to the preceding sub-paragraph (ii) above, use reasonable efforts to substitute the relevant Fund with an index (or a fund tracking an index) selected by the Calculation Agent in its sole and absolute discretion; and
- (iv) following any substitution in accordance with sub-paragraph (ii) or (iii) above (a "**Substitution**"), in its sole and absolute discretion amend such of the General Conditions, these Fund Linked Conditions and/or the Issue Terms as it determines to be appropriate to take account of such Substitution, including to ensure the weighted average price referred to in (i) above (and any consequent rise or fall in value of the affected Fund Shares since the Issue Date) is reflected in the terms of the Substitution.

### (c) Termination

A "**Termination Event**" may be deemed to have occurred in respect to any Fund or Fund Share, if the Calculation Agent determines that any of the Extraordinary Fund Events set out in sub-paragraphs (q) to (u) (inclusive) of Fund Linked Condition 4 or any Additional Extraordinary Fund Event specified in the Issue Terms and specified as being a Termination Event occurs. Upon the occurrence of a Termination Event the Issuer shall redeem all but not some only of the Notes on the Termination Date by payment to each Noteholder of the Termination Amount.

## 6. Redemption / Termination Date Extension

In the case of Cash Settled Notes, if on the Scheduled Maturity Date, Automatic Early Redemption Date or Termination Date, as the case may be, the Hedge Provider has not, (or is deemed to have not), after having placed one or more redemption orders in respect of its holding of Fund Shares in accordance with the terms of the relevant Fund Documents, received redemption proceeds in full in respect of all Fund Shares (the "**Redemption Proceeds**"), the Calculation Agent may notify the Holders in accordance with General Condition 12 that the Scheduled Maturity Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, has been postponed. As soon as practicable following receipt (or deemed receipt) by the Hedge Provider of the Redemption Proceeds the Calculation Agent shall give notice to Holders in accordance with General Condition 12 (such notice the "**Delayed Payment Notice**") and redeem the Notes on the date falling not more than five Business Days following the receipt of the Delayed Payment Notice (such date, the "**Postponed Redemption Date**") by payment to each Holder of the Final Redemption Amount, the Automatic Early Redemption Amount or the Termination Amount, as the case may be, provided that, if the Hedge Provider does not receive the Redemption Proceeds within the period ending on the date (the "**Delayed**

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

**Payment Cut-off Date**") specified in the Issue Terms or, if not so specified, the second anniversary of the Scheduled Maturity Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, the Postponed Redemption Date shall be the Delayed Cut-off Date.

In the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided in General Condition 3 accruing from (and including) the Interest Period End Date immediately preceding the Scheduled Maturity Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, (or, if none, the Interest Commencement Date) to (but excluding) the Scheduled Maturity Date, the Automatic Early Redemption Date or the Termination Date, as the case may be, but shall only be obliged to make such payment of interest on the Postponed Redemption 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.

### 7. Definitions

**"Additional Extraordinary Fund Event"** means any of Change in Law, Failure to Deliver, Hedging Disruption and Increased Cost of Hedging, as specified in the Issue Terms.

**"Automatic Early Redemption Amount"** means an amount, in respect of each nominal amount of Notes equal to the Calculation Amount, being the Automatic Early Redemption Payout set out in the Issue Terms.

**"Automatic Early Redemption Date"** means each date specified as such in the Issue Terms, or if such date is not a Business Day, the immediately succeeding Business Day, provided that no additional amount shall be payable to Holders as a result of such delay.

**"Automatic Early Redemption Event"** means the AER Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Automatic Early Redemption Price,

(i), (ii), (iii) or (iv) applying or (B) within or outside the Automatic Early Redemption Range, as specified in the Issue Terms,

**"Automatic Early Redemption Payout"** is as specified in the applicable Issue Terms.

**"Automatic Early Redemption Price"** means the price, amount, percentage or number specified as such in the Issue Terms, subject to adjustment as provided in Fund Linked Condition 4 above.

**"Automatic Early Redemption Range"** means the range of prices, amounts, percentages or numbers specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in these Fund Linked Conditions.

**"Automatic Early Redemption Valuation Date"** means (A) in respect of a Fund other than an ETF each date specified as such in the Issue Terms and if such a date is not a Fund Business Day, the immediately following Fund Business Day and (B) each date as specified as such in the Issue Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the corresponding provisions in the definition of Valuation Date shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.



## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

"**Automatic Early Redemption Valuation Period**" means each period specified as such in the Issue Terms;

"**Automatic Early Redemption Valuation Time**" has the meaning given it in the Issue Terms.

"**AER Value**" has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2 (*Value Definitions*).

"**Averaging Date**" means (A) in respect of a Fund other than an ETF each date specified as an Averaging Date in the Issue Terms or if any such date is not a Fund Valuation Date, the immediately following Fund Valuation Date, unless such immediately following day is not a Fund Valuation Date and (B), in the case of an ETF, each date specified as an Averaging Date in the Issue Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day;

If any such day is (i) not a Fund Valuation Date pursuant to (A) above (a "**Fund Non-Valuation Date**") or (ii) a Disrupted Day pursuant to (B) above, then:

- (a) If "**Omission**" is specified as applying in the Issue Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price or NAV per Fund Share as applicable provided that if through the operation of this provision no Averaging Date would occur, then (i) in respect of ETFs, the provisions of the definition of Valuation Date will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date or (ii) in respect of Funds, the Calculation Agent may, in its sole and absolute direction, take any of the Extraordinary Fund Event Actions; or
- (b) if "**Postponement**" is specified as applying in the Issue Terms, then in respect of ETFs the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date, or
- (c) if "**Modified Postponement**" is specified as applying in the Issue Terms then:
  - (i) where the Notes are Fund Linked Notes relating to a single Fund, the Averaging Date shall be the first succeeding Valid Date (as defined below). (A) In the case of an ETF, if the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with subparagraph (a)(ii) of the definition of Valuation Date below and (B) in the case of a Fund that is not an ETF, if the first succeeding Valid Date has not occurred for a number of consecutive Fund Business Days equal to the Number of NAV Publication Days immediately following the original date that, but for the occurrence of such date being a Fund Non-Valuation Date or another Averaging Date, would have been the relevant Averaging Date, then , then (A) that last such consecutive Fund Business Day shall be deemed to be the Averaging Date (irrespective of whether such Fund Business Day is already an Averaging Date), and (B) the Calculation Agent in its sole and absolute direction, take any of the Extraordinary Fund Event Actions;
  - (ii) where the Notes are Fund Linked Notes relating to a Fund Basket of ETFs, the Averaging Date for each Fund Share not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the "**Scheduled Averaging Date**") and the Averaging

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

Date for each Fund Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Fund Share. If the first succeeding Valid Date in relation to such Fund Share has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the relevant Averaging Date, then (A) that Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of such Fund Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of Valuation Date below; and

- (iii) where the Notes are Fund Linked Notes relating to a Fund Basket of Funds that are not ETFs, the Averaging Date for each Fund Share not affected by the occurrence of a Fund Non-Valuation Date shall be the originally designated Averaging Date (the "**Scheduled Averaging Date**") and the Averaging Date for each Fund Share affected by the occurrence of a Fund Non-Valuation Date shall be the first succeeding Valid Date (as defined below) in relation to such Fund Share. If the first succeeding Valid Date has not occurred for a number of consecutive Fund Business Days equal to the Number of NAV Publication Days immediately following the Scheduled Valuation Date that, but for the occurrence of such date being a Fund Non-Valuation Date or another Averaging Date, would have been the relevant Averaging Date, then (A) that last such consecutive Fund Business Day shall be deemed to be the Averaging Date (irrespective of whether such Fund Business Day is already an Averaging Date), and (B) the Calculation Agent in its sole and absolute direction, take any of the Extraordinary Fund Event Actions; and
- (iv) for the purposes of these Fund Linked Conditions, "**Valid Date**" means (i) in respect of an ETF, a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur, or in respect of a Fund that is not an ETF, a Fund Valuation Date.

"**Basket Price**" means, in respect of any Automatic Early Redemption Valuation Date, an amount determined by the Calculation Agent equal to the sum of, in respect of each Fund Share, the product of (i) the ETF Price or NAV per Fund Share as applicable in respect of such Fund Share on such Automatic Early Redemption Valuation Date and (ii) the relevant Weighting.

"**Basket Trigger Event**" means that a Substitution Event occurs in respect of one or more Funds comprising the Fund Basket which has or, in the event that a Substitution Event has occurred in respect of more than one Fund, together have, a Weighting in the Fund Basket equal to or greater than the Basket Trigger Level.

"**Basket Trigger Level**" has the meaning given to it in the Issue Terms or if not so specified, 50 per cent.

"**Calculation Date**" means (A) in the case of a Fund other than an ETF, each day(s) specified in the Issue Terms, or if not so specified, each day which is a Fund Business Day and (B) in the case of an ETF, each day(s) specified in the Issue Terms, or if not so specified, each day which is an Exchange Business Day.

"**Change in Law**" means that, on or after the Trade Date (as specified in the Issue Terms) (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (A) it has become illegal to hold, acquire or dispose of any relevant Fund Share and/or (B) it will incur a materially increased cost in performing its obligations in relation to the Fund Linked 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).

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

**"Delta-1 Termination Amount"** means, in the case of Exempt Notes only, an amount determined in accordance with the provisions specified in the Pricing Supplement.

**"Disrupted Day"** means, in the case of an ETF, any Scheduled Trading Day on which:

- (a) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session;
- (b) a Market Disruption Event has occurred; or
- (c) where Exchange Business Day (Cross Asset Basis) and Scheduled Trading Day (Cross Asset Basis) are specified as applicable in the Issue Terms for (i) Fund Linked Note and (ii) Index Linked Notes and/or Equity Linked Notes, a Disrupted Day occurs under and as defined in the Index Linked Conditions and/or Equity Linked Conditions.

**"Early Closure"** means, in the case of an ETF, the closure on any Exchange Business Day of the relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or such 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.

**"ETF"** means any Fund specified as being an Exchange Traded Fund in the Issue Terms, or if not so specified, any Fund which the Calculation Agent determines to be an exchange traded fund.

**"ETF Price"** means, in respect of any Automatic Early Redemption Valuation Date, the price per Fund Share as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Automatic Early Redemption Valuation Date.

**"Exchange"** means, in the case of an ETF and in relation to a Fund Share, each exchange or quotation system specified as such for such Fund Share in the Issue Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Fund Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Fund Share on such temporary substitute exchange or quotation system as on the original Exchange).

**"Exchange Business Day"** means in the case of an ETF, either (i) in the case of a single Fund Share, Exchange Business Day (Single Fund Share Basis) or (ii) in the case of a basket of Funds or other assets, (a) Exchange Business Day (All Fund Shares Basis) or (b) Exchange Business Day (Per Fund Share Basis) or (c) Exchange Business Day (Cross Asset Basis), in each case as specified in the Issue Terms, provided that, if no such specification is made in the Issue Terms, Exchange Business Day (Per Fund Share Basis) shall apply.

**"Exchange Business Day (All Fund Shares Basis)"** means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading session(s) notwithstanding any such Exchange or Related Exchange closing prior to its (their) Scheduled Closing Time.

**"Exchange Business Day (Cross Asset Basis)"** means, in respect of a basket of assets, any Scheduled Trading Day on which each relevant Exchange and each Related Exchange (if any) in respect of all Funds comprised in the basket of assets is open for trading during its regular trading session(s) (notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time) which is also an Exchange Business Day under and as defined in the Index Linked Conditions and/or Equity Linked Conditions, as applicable.

**"Exchange Business Day (Per Fund Share Basis)"** means, in respect of a Fund Share, any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange, if any, in respect of such

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

Fund Share are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its (their) Scheduled Closing Time.

**"Exchange Business Day (Single Fund Share Basis)"** means, in respect of a Fund Share, any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange are open for trading during their respective regular trading session(s), notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its (their) Scheduled Closing Time.

**"Exchange Disruption"** means, in the case of an ETF, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Fund Share on the Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Fund Share on any relevant Related Exchange.

**"Exchange Rate"**, in relation to a Fund Share, shall have the meaning given in the Issue Terms.

**"Extraordinary Fund Event Effective Date"** means, in respect of an Extraordinary Fund Event, the date on which such Extraordinary Fund Event occurs, or has occurred, as determined by the Calculation Agent in its sole and absolute discretion.

**"Failure to Deliver"** means failure of the Issuer and/or any of its Affiliates to deliver, when due, the Relevant Assets comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for such Shares.

**"Final Calculation Date"** means the date specified as such in the Issue Terms or, if such day is not a Fund Business Day, the immediately succeeding Fund Business Day.

**"Fund"** means Fund(s), or sub-Fund(s) or ETF(s) specified in the Issue Terms.

**"Fund Basket"** means a Basket comprising the Fund Shares (including, if applicable, Fund Shares in one or more ETFs) specified in the Issue Terms.

**"Fund Business Day"** has the meaning specified in the Issue Terms, or, if not so specified, (i) in respect of a single Fund other than an ETF (Single Fund Share Basis), a date (i) that is a Fund Valuation Date and (ii) on which the Hedging Provider has, or could have a subscription or redemption order for the Fund Shares executed at the NAV per Fund Share published by the Fund (or the Fund Service Provider that generally published or reports that value) in respect of such Fund Valuation Date; (ii) in respect of an ETF, each Scheduled Trading Day; (iii) in respect of a Fund Basket not comprised of Fund Shares of ETFs, either Fund Business Day (All Fund Shares Basis) or Fund Business Day (Per Fund Share Basis) as specified in the Issue Terms, provided that, if no such specification is made in the Issue Terms, Fund Business Day (Per Fund Share Basis) shall apply; and (iv) in respect of a Fund Basket comprised of ETFs, a day which is a Scheduled Trading Day in respect of each Fund Share comprising the Fund Basket.

**"Fund Business Day (All Fund Shares Basis)"** means with respect to a Fund Basket, a date (i) that is a Fund Valuation Date for all Fund Shares comprising the Fund Basket and (ii) on which the Hedging Provider has, or could have a subscription or redemption order for the Fund Shares executed at the NAV per Fund Share published by the Fund (or the Fund Service Provider that generally published or reports that value) in respect of such Fund Valuation Date.

**"Fund Business Day (Per Fund Share Basis)"** means with respect to a Fund Share, a date (i) that is a Fund Valuation Date in respect of such Fund Share and (ii) on which the Hedging Provider has, or could have a subscription or redemption order for the Fund Shares executed at the NAV per Fund Share published by the Fund (or the Fund Service Provider that generally published or reports that value) in respect of such Fund Valuation Date.

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

**"Fund Documents"** means, with respect to any Fund Share, the constitutive and governing documents, subscription agreements and other agreements of the Fund specifying the terms and conditions relating to such Fund Shares specified in the Issue Terms as at the Issue Date.

**"Fund Service Provider"** means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for such Fund, whether or not specified in the Fund Documents, including any investment advisor or manager, fund adviser, fund administrator, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent, domiciliary agent and any other person specified as such in the Issue Terms.

**"Fund Share(s)"** means an ownership interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest specified as such in the Issue Terms.

**"Fund Valuation Date"** means any date as of which, in accordance with the Fund Documents, the Fund (or the Fund Service Provider that generally determines such value) is but for the occurrence of an Extraordinary Fund Event would have been scheduled to determine the NAV per Fund Share.

**"Hedge Provider"** means the party (being, *inter alia*, the Issuer, the Calculation Agent, an Affiliate or any third party) from time to time who hedges the Issuer's obligations in respect of the Notes or where no such party actually hedges such obligations, a hypothetical investor, who shall be deemed to enter into transactions as if hedging such obligations. The Hedge Provider will hold or be deemed to hold such number of Fund Shares, or enter or be deemed to enter into any agreement to purchase or deliver, or pay an amount linked to the performance of, such number of Fund Shares as it (or in the case of a hypothetical investor, the Calculation Agent) considers would be held by a prudent issuer as a hedge for its exposure under the relevant Notes.

**"Hedging Disruption"** means that the Issuer or any of its Affiliates is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the fund price risk or any other relevant price risk including but not limited to the currency risk of the Issuer, issuing and performing its obligations with respect to the Notes, or (ii) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"Implied Embedded Option Value"** means an amount (which may never be less than zero) equal to the present value as of the Implied Embedded Option Value Determination Date of any scheduled but unpaid payments under the Notes in respect of the period from (and including) the Extraordinary Fund Event Effective Date to (and including) the Exercise Date or Expiration Date, as the case may be, as determined by the Calculation Agent in its sole and absolute discretion but, notwithstanding anything to the contrary contained herein, taking into account, without limitation, such factors as the net proceeds actually received from the redemption or sale of any Fund Shares by the Hedge Provider, the volatility of the Fund Shares and any transaction costs.

**"Implied Embedded Option Value Determination Date"** means the date determined by the Calculation Agent to be the earlier of (i) the date on which the Hedge Provider receives redemption proceeds in full in respect of its holding of Fund Shares or (ii) the Delayed Payment Cut-off Date.

**"Increased Cost of Hedging"** means that the Issuer or any of their respective 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 (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, fund price risk, foreign exchange risk and interest rate risk) of the Issuer, issuing and performing its obligations with respect to the Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

**"Initial Calculation Date"** means the date specified as such in the Issue Terms, or if such day is not a Fund Business Day, the immediately succeeding Fund Business Day.

**"Knock-in Determination Day"** means the date(s) specified as such in the Issue Terms, or otherwise each Fund Business Day during the Knock-in Determination Period.

**"Knock-in Determination Period"** means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

**"Knock-in Event"** means the Knock-in Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-in Price or (B) within or outside the Knock-in Range (x) on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Issue Terms,

**"Knock-in Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-in Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Fund Business Day, the next following Fund Business Day.

**"Knock-in Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-in Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Fund Business Day, the next following Fund Business Day.

**"Knock-in Price"** means the price, amount, percentage or number specified as such in the Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in these Fund Linked Condition.

**"Knock-in Range"** means the range of prices, amounts, percentages or numbers specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in these Fund Linked Conditions

**"Knock-in Valuation Time"** means the time or period of time on any Knock-in Determination Day specified as such in the Issue Terms or in the event that the Issue Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

**"Knock-in Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

**"Knock-out Determination Day"** means the date(s) specified as such in the Issue Terms, or otherwise each Fund Business Day during the Knock-out Determination Period.

**"Knock-out Determination Period"** means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

**"Knock-out Event"** means the Knock-out Value is (A):

- (i) greater than,
- (ii) greater than or equal to,

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

(iii) less than or

(iv) less than or equal to

the Knock-out Price or (B) within or outside the Knock-out Range (x) on a Knock-out Determination Day or (y) in respect of any Knock-out Determination Period, as specified in the Issue Terms, .

**"Knock-out Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Fund Business Day, the next following Fund Business Day.

**"Knock-out Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Fund Business Day, the next following Fund Business Day.

**"Knock-out Price"** means the price, amount, percentage or number specified as such in the applicable Issue Terms, subject to adjustment from time to time in accordance with this Fund Linked Condition 2.

**"Knock-out Value"** has the meaning given to it in the Issue Terms, being a term defined in the Payout Condition 5.2.

**"Knock-out Range"** means the range of prices, amounts, percentages or numbers specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in Fund Linked Condition 1 (Disrupted Day in respect of Notes linked to one or more ETFs) and Fund Linked Condition 4 (Extraordinary Fund Events)]

**"Knock-out Valuation Time"** means the time or period of time on any Knock-out Determination Day specified as such in the Issue Terms or, in the event that the Issue Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

**"London Business Day"** means a day on which commercial banks and foreign exchange markets are generally open to settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

**"Market Disruption Event"** means, if the Fund is an ETF, in respect of a Fund Share 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 (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event, begins or ends at the time when the level of the relevant Fund Share triggers, respectively, the occurrence of the Knock-in Event or Knock-out Event or (b) in all other circumstances that ends at the relevant Valuation Time, or (iii) an Early Closure.

**"NAV Barrier"** has the meaning given to it in the Issue Terms.

**"NAV Trigger Event"** means, in respect of any Fund Shares, that (i) the NAV per Fund Share has decreased by an amount equal to, or greater than, the NAV Trigger Percentage(s) at any time during the related NAV Trigger Period; or (ii) the Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgment of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any other contractual restriction binding on or affecting the Fund or any of its assets.

**"NAV Trigger Percentage"** means the percentage specified in the Issue Terms or, if not so specified, 50 per cent.

**"NAV Trigger Period"** means the period specified in the Issue Terms, or if not so specified the period from and including the Initial Calculation Date to and including the Final Calculation Date.

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

**"NAV per Fund Share"** means, subject as referred to in Averaging Date, with respect to the relevant Fund Share and a Fund Valuation Date:

- (a) in respect of a single Fund, (i) if Averaging is not specified in the Issue Terms, (A) (i) the net asset value per Fund Share of such Fund Shares as of the relevant Fund Valuation Date, or (B), if the Fund Service Provider of the Fund publishes or reports only the aggregate net asset value of the Fund Shares, the net asset value per Fund Share relating to such number of Fund Shares as of the relevant Calculation Date as calculated by the Calculation Agent on the basis of such aggregate net asset value of the Fund Shares divided by the relevant number of Fund Shares issued and outstanding on the related Fund Valuation Date, each of (A) or (B) as reported by the Fund Service Provider that generally publishes or reports such value on behalf of the Fund to its investors or a publishing service; or (ii) if Averaging is specified in the Issue Terms, the arithmetic mean of the net asset values per Fund Share, (determined in accordance with either (A) or (B) of the foregoing sentence) of such Fund Shares on each Averaging Date; and
- (b) in respect of a Fund Basket, (i) if Averaging is not specified in the Issue Terms, (A) the net asset value per Fund Share for each Fund Share in the Fund Basket as of the relevant Fund Valuation Date, or (B), if the Fund Service Provider of the Fund in relation to a Fund in the Fund Basket publishes or reports only the aggregate net asset value of the Fund Shares, the net asset value per Fund Share relating to such number of Fund Shares as of the relevant Calculation Date for such Fund as calculated by the Calculation Agent on the basis of such aggregate net asset value of the Fund Shares for such Fund divided by the relevant number of Fund Shares issued by such Fund and outstanding on the related Fund Valuation Date, or (ii) if Averaging is specified in the Issue Terms, the arithmetic mean, for each Fund Share in the Fund Basket of the net asset values per Fund Share for each Fund in the Fund Basket (determined in accordance with either (A) or (B) of the foregoing sentence) relating to such Fund Shares on each Averaging Date.

**"Non-Principal Protected Termination Amount"** means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount determined by the sum of:

- (a) the Implied Embedded Option Value; and
- (b) if Delayed Redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the Issue Terms, the Simple Interest or otherwise zero.

**"Number of NAV Publication Days"** means the number of calendar days specified in the Issue Terms, being the maximum number of days after the due date for publication or reporting of the NAV per Fund Share after which the Fund Service Provider or any entity fulfilling such role, howsoever described in the Fund Documents, or any other party acting on behalf of the Fund, may remedy any failure to publish or report the NAV per Fund Share before the Calculation Agent may determine that an Extraordinary Fund Event has occurred.

**"Observation Date"** means either (i) in the case of a Fund Share other than ETF each date specified as an Observation Date in the Issue Terms, or if any such date is not a Fund Business Day, the immediately following Fund Business Day and (ii) in the case of a ETF, each date specified as an Observation Date in the Issue Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to "Omission", "Postponement" or "Modified Postponement", as the case may be, contained in the definition of "Averaging Date" shall apply mutatis mutandis as if references in such provisions to "Averaging Date" were to "Observation Date".

**"Observation Period"** means the period specified as the Observation Period in the Issue Terms.

**"Principal Protected Termination Amount"** means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount determined by the sum of:



## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

- (a) the Protected Amount;
- (b) the Implied Embedded Option Value; and
- (c) if Delayed Redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the Issue Terms, the Simple Interest.

**"Protected Amount"** means the amount specified as such in the Issue Terms.

**"Related Exchange"** means, in the case of an ETF and in relation to a Fund Share, each exchange or quotation system specified as such for such Fund Share in the Issue Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Fund 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 Fund Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where All Exchanges is specified as the Related Exchange in the Issue Terms, Related Exchange shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Fund Share.

**"Scheduled Trading Day"** means either (i) in the case of a single ETF and in relation to a Fund Share, Scheduled Trading Day (Single Fund Share Basis) or (ii) in the case of a basket of Funds which are ETFs or other assets, (a) Scheduled Trading Day (All Fund Shares Basis) or (b) Scheduled Trading Day (Per Fund Share Basis) or (c) Scheduled Trading Day (Cross Asset Basis), in each case as specified in the Issue Terms, provided that, if no such specification is made in the Issue Terms, Exchange Business Day (Per Fund Share Basis) shall apply.

**"Scheduled Trading Day (All Fund Share Basis)"** means any day on which each Exchange and each Related Exchange are scheduled to be open for trading during their respective regular trading session(s).

**"Scheduled Trading Day (Cross Asset Basis)"** means, in respect of a basket of assets, any day on which each Exchange and each Related Exchange (if any) in respect of all Funds comprised in the basket of assets is scheduled to be open for trading during its regular trading session which is also a Scheduled Trading Day for the purpose of the Index Linked Conditions and/or the Equity Linked Conditions, as applicable.

**"Scheduled Trading Day (Per Fund Share Basis)"** means, in respect of a Fund Share, any day on which the relevant Exchange and the relevant Related Exchange in respect of such Fund Share are scheduled to be open for trading during their respective regular trading session(s).

**"Scheduled Trading Day (Single Fund Share Basis)"** means any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading during their respective regular trading session(s).

**"Scheduled Valuation Date"** means any day which but for the occurrence of a Disrupted Day would have been a Valuation Date.

**"Settlement Price"** means, subject as referred to in relation to any Valuation Date or Averaging Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be in the case of an ETF, an amount equal to the official closing price (or the price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or an Averaging Date, as the case may be, if so specified in the Issue Terms) quoted on the relevant Exchange for such Fund Share on (a) if Averaging is not specified in the Issue Terms, the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Issue Terms, an Averaging Date (or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time or Knock-in Valuation

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the Issue Terms) cannot be so determined and the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the Issue Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, on the Valuation Date, Automatic Early Redemption Valuation Date, Knock-in Determination Day or Knock-out Determination Day or such Averaging Date, as the case may be, if so specified in the Issue Terms) for the Fund Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of such Fund Share or on such other factors as the Calculation Agent shall decide).

**"Settlement Price Date"** means any Automatic Early Redemption Valuation Date, Knock-in Determination Day, Knock-out Determination Day, Observation Date or Valuation Date, as the case may be.

**"Simple Interest"** means an amount calculated by the Calculation Agent equal to the amount of interest that would accrue on the Implied Embedded Option Value during the period from (and including) the Implied Embedded Option Value Determination Date to (and including) the Final Calculation Date calculated on the basis that such interest were payable by the Floating Rate Payer under an interest rate swap transaction incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. under which:

- (a) the Effective Date is the Implied Embedded Option Value Determination Date;
- (b) the Termination Date is the Termination Date;
- (c) the Floating Rate Payer Payment Date is the Termination Date;
- (d) the Floating Rate Option is EUR-EURIBOR-Reuters (if the Specified Notes Currency is EUR) or ICE LIBOR (if the Specified Notes Currency is USD);
- (e) the Designated Maturity is 3 months;
- (f) the Simple Interest Spread is as specified in the Issue Terms, or if not so specified minus 0.125 per cent.;
- (g) the Floating Rate Day Count Fraction is Actual/360;
- (h) the Reset Date is the Implied Embedded Option Value Determination Date and each date falling three calendar months after the previous Reset Date; and
- (i) Compounding is Inapplicable, provided that if the final Compounding Period is less than 3 months Linear Interpolation applies.

**"Specified Maximum Days of Disruption"** means five (5) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the Issue Terms.

**"Spread"** is as specified in the Issue Terms.

## ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

**"Strike Date"** means (i) in the case of a Fund other than an ETF, the Strike Date or Initial Calculation Date specified as such in the applicable Issue Terms or, if such day is not a Fund Business Day, the immediately succeeding Fund Business Day and (ii) in the case of a ETF the Strike Date specified in the Issue Terms, as may be adjusted in accordance with the definition of "Valuation Date" below.

**"Strike Day"** means each date specified as such in the applicable Issue Terms.

**"Strike Period"** means the period specified as the Strike Period in the Issue Terms.

**"Termination Amount"** means (i) in the case of Exempt Notes only, the Delta-1 Termination Amount; (ii) the Principal Protected Termination Amount or (iii) the Non-Principal Protected Termination Amount as specified in the Issue Terms.

**"Termination Date"** means (i) the date determined by the Issuer and specified in the notice given to the Noteholders in accordance with these Fund Linked Conditions.

**"Trading Disruption"** means, in the case of an ETF and in relation to a Fund Share, 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 any Related Exchange or otherwise (i) relating to the Fund Share on the Exchange; or (ii) in futures or options contracts relating to the Fund Share on any relevant Related Exchange.

**"Valuation Date"** means, in the case of Fund Linked Notes relating to one or more ETF, the Coupon Valuation Date, Strike Date and/or Redemption Valuation Date, as the case may be, specified in the Issue Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) in the case of Fund Linked Notes relating to a single Fund Share of an ETF, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or
- (b) in the case of Fund Linked Notes relating to a basket of Fund Shares of one or more ETFs, the Valuation Date for each Fund Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Fund Share affected (each an **"Affected Item"**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price using its good faith estimate of the value for the Affected Item as of the Valuation Time on the last such consecutive Scheduled Trading Day and otherwise in accordance with the above provisions.

**"Valuation Time"** in the case of an ETF and in relation to a Fund Share means either (i) the close of trading on the Exchange or (ii) as otherwise specified in the Issue Terms.

**"Weighting"**, in relation to a Fund Share, has the meaning given in the Issue Terms.

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

### ANNEX 6

#### ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

*If specified as applicable in the Issue Terms, the terms and conditions applicable to Foreign Exchange (FX) Rate Linked Notes shall comprise the General Conditions and the additional terms and conditions for Foreign Exchange (FX) Rate Linked Notes set out below (the "**Foreign Exchange (FX) Rate Linked Note Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Issue Terms and subject to completion in the Issue Terms. In the event of any inconsistency between the General Conditions and the Foreign Exchange (FX) Rate Linked Note Conditions, the Foreign Exchange (FX) Rate Linked Note Conditions shall prevail. In the event of any inconsistency between the Foreign Exchange (FX) Rate Linked Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Foreign Exchange (FX) Rate Linked Note Conditions and (ii) the Issue Terms, the Issue Terms, shall prevail.*

#### 1. Non-EM Valuation and Disruption Provisions

The provisions of this Foreign Exchange (FX) Rate Linked Condition 1 apply unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of a Subject Currency in the Issue Terms.

##### (a) Disruption Events

The occurrence of any of the following events, in respect of any Base Currency, Subject Currency and/or Subject Currencies, shall be a "**Disruption Event**":

- (i) Price Source Disruption;
- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance;
- (vii) Nationalisation; or

any other event that, in the opinion of the Calculation Agent, is analogous to any of (i) to (vii) above (inclusive).

##### (b) Consequences of a Disruption Event

Upon a Disruption Event occurring or continuing on any Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant Price Source) as determined by the Calculation Agent, the Calculation Agent shall apply the applicable Disruption Fallback in determining the consequences of the Disruption Event.

**"Disruption Fallback"** means a source or method that may give rise to an alternative basis for determining the Settlement Price when a Disruption Event occurs or exists on a day that is an Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day (or, if different, the day on which prices for that date would, in the ordinary course, be published or announced by the Price Source). The Calculation Agent shall take the relevant actions specified in either (i), (ii) or (iii) below.

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

- (i) if an Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day is a Disrupted Day, the Calculation Agent will determine that the relevant Averaging Date or Settlement Price Date, as the case may be, shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day (in the case of the Strike Date or Valuation Date) or Valid Date (in the case of an Averaging Date, Observation Date, Knock-In Determination Day or Knock-Out Determination Day) unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the originally scheduled Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be, is a Disrupted Day in which case the Calculation Agent may determine that the last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be (irrespective, in the case of an Averaging Date, Observation Date, Knock-In Determination Day or Knock-Out Determination Day, of whether that last consecutive Scheduled Trading Day is already an Averaging Date, Observation Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be) and may determine the Settlement Price by using commercially reasonable efforts to determine a Settlement Price as of the Valuation Time on the last such consecutive Scheduled Trading Day taking into consideration all available information that in good faith it deems relevant; or
- (ii) if an Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day is a Disrupted Day but is not the Redemption Valuation Date, if Delayed Redemption on the Occurrence of a Disruption Event is specified as being not applicable in the Issue Terms, on giving notice to Noteholders in accordance with General Condition 12, the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of such Note, 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. Payment shall be made in such manner as shall be notified to the Noteholders in accordance with General Condition 12; or
- (iii) if an Averaging Date, any Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day is a Disrupted Day but is not the Redemption Valuation Date, if Delayed Redemption on the Occurrence of a Disruption Event is specified as being applicable in the Issue Terms, the Calculation Agent shall calculate the fair market value of each Note less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the "**Calculated Foreign Exchange (FX) Disruption Amount**") as soon as practicable following the occurrence of the Disruption Event (the "**Calculated Foreign Exchange (FX) Disruption Amount Determination Date**") and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated Foreign Exchange (FX) Disruption Amount plus interest accrued on the Calculated Foreign Exchange (FX) Disruption Amount on a daily basis from and including the Calculated Foreign Exchange (FX) Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount.

## 2. EM Currency Valuation and Disruption Provisions

The provisions of this Foreign Exchange (FX) Rate Linked Condition (b) apply where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of a Subject Currency in the Issue Terms.

### (a) EM Disruption Events

If so specified in the Issue Terms, the occurrence of any of the following events, in respect of any Base Currency, Subject Currency and/or Subject Currencies, shall be an "**EM Disruption Event**":

- (i) Price Source Disruption;

## **ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES**

- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance;
- (vii) Nationalisation;
- (viii) Price Materiality; and/or

any other event that, in the opinion of the Calculation Agent, is analogous to any of (i) to (viii) above (inclusive).

The Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with General Condition 12 of the occurrence of a Disrupted Day on any day that but for the occurrence of the Disrupted Day would have been an Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be.

### **(b) Consequences of an EM Disruption Event**

Upon an EM Disruption Event occurring or continuing on any Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant EM FX Price Source) as determined by the Calculation Agent, the Calculation Agent shall apply in determining the consequences of the EM Disruption Event: (a) EM Calculation Agent Determination where the applicable EM Disruption Event is other than Price Source Disruption or Price Materiality; and (b) the applicable EM Disruption Fallback where the applicable EM Disruption Event is a Price Source Disruption or Price Materiality.

### **(c) Unscheduled Holiday**

If the Calculation Agent determines that a date that would otherwise have been a Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day is an Unscheduled Holiday in respect of a Subject Currency, then such date shall be the immediately succeeding Scheduled Trading Day after the occurrence of the Unscheduled Holiday, subject as provided above, and Provided That if such Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, has not occurred on or before the EM Maximum Days of Postponement then the next Scheduled Trading Day after such period that would have been a Scheduled Trading Day but for the Unscheduled Holiday shall be deemed to be the relevant date for valuation and the Settlement Price shall be determined by the Calculation Agent on such day in its sole discretion acting in good faith having taken into account relevant market practice and by reference to such additional source(s) as it deems appropriate.

### **(d) Cumulative Events**

If "Cumulative Events" is specified as applicable in the Issue Terms in respect of a Settlement Currency then, in no event shall the total number of consecutive calendar days during which a Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day is deferred due to either (i) an Unscheduled Holiday or (ii) an EM Valuation Postponement (or a combination of both (i) and (ii)) exceed the EM Maximum Cumulative Days of Postponement in the aggregate. If a Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, is postponed by the number of calendar days equal to the EM Maximum Cumulative Days of Postponement and at the end of such period (i) an Unscheduled Holiday shall have occurred or be continuing on the day immediately following

## **ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES**

such period (the "**Final Day**"), then such Final Day shall be deemed to be the Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, and (ii) if a Price Source Disruption shall have occurred or be continuing on the Final Day, then Valuation Postponement shall not apply and the Settlement Price shall be determined in accordance with the next applicable EM Disruption Fallback.

### **(e) Postponement of payment or settlement days**

Where any Settlement Price Date, Averaging Date, Knock-In Determination Day or Knock-Out Determination Day is postponed as a consequence of the provisions of this Foreign Exchange (FX) Rate Linked Condition 2, then the corresponding date for payment or delivery of any assets shall fall on the later of (a) in the case of Exempt Notes only, the date for such payment or delivery otherwise determined in accordance with the Pricing Supplement and (b) the day falling the EM Number of Postponement Settlement Days specified in the Issue Terms (or, if none are so specified, two Business Days) after the last occurring Settlement Price Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be.

## **3. Knock-in Event and Knock-out Event**

### **(a) This Foreign Exchange (FX) Rate Linked Condition 3 is applicable only:**

- (i) If "Knock-in Event" is specified as applicable in the Issue Terms, in which case any payment under the Notes which is expressed in the Conditions to be subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event; or
- (ii) If "Knock-out Event" is specified as applicable in the Issue Terms, in which case any payment under the Notes which is expressed in the Conditions to be subject to a Knock-out Event, shall be conditional upon the occurrence of such Knock-out Event.

### **(b) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is the Valuation Time or, as the case may be, EM Valuation Time and if a Disruption Event or an EM Disruption Event would otherwise have occurred on any Knock-in Determination Day or Knock-out Determination Day, then, unless otherwise specified in the Issue Terms, such Knock-in Determination Day or Knock-out Determination Day will be deemed not to be a Knock-in Determination Day or Knock-out Determination Day for the purposes of determining the occurrence of a Knock-in Event or a Knock-out Event.**

### **(c) If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Issue Terms is any time or period of time other than the Valuation Time or, as the case may be, EM Valuation Time during the regular trading hours for the Base Currency, Subject Currency and/or Subject Currencies and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one-hour period that begins or ends at the time at which a Knock-in Event or Knock-out Event would otherwise have occurred, a Disruption Event or an EM Disruption Event occurs or exists, then, unless otherwise specified in the Issue Terms, the Knock-in Event or the Knock-out Event shall be deemed not to have occurred.**

## **4. Automatic Early Redemption Event**

If "Automatic Early Redemption Event" is specified as applicable in the Issue Terms, then, unless previously redeemed or purchased and cancelled, if (i) on any Automatic Early Redemption Valuation Date (ii) in respect of an Automatic Early Redemption Valuation Period if on any or all Automatic Early Redemption Valuation Date(s), as specified in the Issue Terms, an Automatic Early Redemption Event occurs, all but not some only of the Notes will be automatically redeemed on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date or Automatic Early Redemption Period, as applicable, and the Issuer shall redeem each Note at an amount equal to the relevant Automatic Early Redemption Amount.

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

### 5. Consequences of an Additional Disruption Event

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may redeem the Notes by giving notice to Noteholders in accordance with General Condition 12. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note, 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 Noteholders in accordance with General Condition 12.

### 6. Definitions

**"Additional Disruption Event"** means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, in each case if specified in the Issue Terms.

**"Automatic Early Redemption Amount"** means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to the Automatic Early Redemption Payout set out in the applicable Issue Terms.

**"Automatic Early Redemption Date"** means each date specified as such in the Issue Terms, or if such date is not a Business Day, the next following Business Day and no Noteholder shall be entitled to any interest or further payment in respect of any such delay.

**"Automatic Early Redemption Event"** means the AER Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Automatic Early Redemption Level, (i), (ii), (iii) or (iv) applying or (B) within or outside the Automatic Early Redemption Range, as specified in the Issue Terms.

**"Automatic Early Redemption Level"** means the price, level, amount, percentage or value specified as such or otherwise determined in the Issue Terms, subject to adjustment in accordance with the provisions set forth in Foreign Exchange (FX) Rate Linked Condition 1 and Foreign Exchange (FX) Rate Linked Condition 2.

**"Automatic Early Redemption Payout"** is as specified in the applicable Issue Terms.

**"Automatic Early Redemption Range"** means the range of levels, prices, amounts, percentages or values specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in Foreign Exchange (FX) Linked Condition 1.

**"Automatic Early Redemption Valuation Date"** means each date specified as such in the Issue Terms or, if such date is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day; or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day. If any such day is a Disrupted Day,



## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

then the Automatic Early Redemption Valuation Date shall be delayed in accordance with the corresponding provisions of the definition of Valuation Date which shall apply *mutatis mutandis* as if references in such provisions to Valuation Date were to Automatic Early Redemption Valuation Date.

**"Automatic Early Redemption Valuation Period"** means the period specified as such in the applicable Issue Terms.

**"Automatic Early Redemption Valuation Time"** has the meaning given it in the applicable Issue Terms.

**"AER Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.1.

**"Averaging Date"** means the dates specified as such in the Issue Terms or, if any such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) shall apply; or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

**"Base Currency"** means the currency specified as such in the Issue Terms.

**"Change in Law"** means that, on or after the Trade Date (as specified in the Issue Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes.

**"Dual Exchange Rate"** means that any of the Base Currency, Subject Currency and/or Subject Currencies, splits into dual or multiple currency exchange rates.

**"Disrupted Day"** means any Scheduled Trading Day on which the Calculation Agent determines that a Disruption Event or EM Disruption Event has occurred.

**"EM Disruption Fallback"** means a source or method that may give rise to an alternative basis for determining the Settlement Price when an EM Disruption Event occurs or exists on a day that is an Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day (or, if different, the day on which prices for that date would, in the ordinary course, be published or announced by the EM FX Price Source) being, in respect of a Subject Currency, any of EM Calculation Agent Determination, EM First Fallback Reference Price, EM Second Fallback Reference Price and EM Valuation Postponement, as so specified in the Issue Terms for such Subject Currency. Where more than one EM Disruption Fallback is so specified then such EM Disruption Fallbacks shall apply in the order in which they are specified in the Issue Terms until the Settlement Price can be determined for such exchange rate relating to that Settlement Currency for such Averaging Date, Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day.

Where:

- (a) **"EM Calculation Agent Determination"** means that the Calculation Agent shall determine the Settlement Price taking into consideration all information that it deems relevant.

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

- (b) **"EM First Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Price by reference to the applicable First Fallback Reference Price and, for which purpose, references in the definition of Settlement Price to "EM FX Price Source", "EM Valuation Time" and "EM Number of Settlement Days" shall be construed, respectively, to be to "First Fallback EM FX Price Source", "First Fallback Valuation Time" and "First Fallback EM Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Issue Terms).
- (c) **"EM Second Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Price by reference to the applicable Second Fallback Reference Price and, for which purpose, references in the definition of Settlement Price to "EM FX Price Source", "EM Valuation Time" and "EM Number of Settlement Days" shall be construed, respectively, to be to "Second Fallback EM FX Price Source", "Second Fallback Valuation Time" and "Second Fallback EM Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Issue Terms).
- (d) **"EM Valuation Postponement"** means that the Settlement Price shall be determined on the immediately succeeding Scheduled Trading Day which is not a Disrupted Day unless the Calculation Agent determines that no such Scheduled Trading Day which is not a Disrupted Day has occurred on or before the day falling the EM Maximum Days of Postponement following the originally designated Averaging Date, Valuation Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be. In such event, the Settlement Price shall be determined on the next Scheduled Trading Day after the EM Maximum Days of Postponement (notwithstanding the fact that day may be a Disrupted Day) in accordance with the next applicable EM Disruption Fallback.

**"EM FX Price Source"** means, in respect of a Subject Currency, the price source(s) specified as such in the Issue Terms (or any successor to such price source(s) as determined by the Calculation Agent).

**"EM Maximum Cumulative Days of Postponement"** means the number of days specified as such in the Issue Terms or, if no such number is specified, 30 calendar days.

**"EM Maximum Days of Postponement"** means the number of days specified as such in the Issue Terms or, if no such number is specified, 30 calendar days.

**"EM Number of Settlement Days"** means, in respect of a Subject Currency, the number of days on which commercial banks are open (or, but for the occurrence of an EM Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each Settlement Day Centre specified as such in the Issue Terms (each, an **"EM Settlement Day"**). Where no such number or zero is so specified, then such rate shall be for settlement on the same day.

**"EM Price Materiality Percentage"** means the percentage specified as such in the Issue Terms or, if no such percentage is specified, 3 per cent.

**"EM Primary Rate"** means, in respect of a Subject Currency, the rate specified as such for such Subject Currency in the Issue Terms.

**"EM Secondary Rate"** means, in respect of a Subject Currency, the rate specified as such for such Subject Currency in the Issue Terms.

**"EM Valuation Time"** means, unless otherwise specified in the Issue Terms, the time at which the EM FX Price Source publishes the relevant rate or rates from which the Settlement Price is calculated.

**"General Inconvertibility"** means the occurrence of any event that generally makes it impossible to convert a Subject Currency into the Base Currency in a Subject Currency Jurisdiction through customary legal channels.

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

**"General Non-Transferability"** means the occurrence of any event that generally makes it impossible to deliver (A) the Base Currency from accounts inside a Subject Currency Jurisdiction to accounts outside a Subject Currency Jurisdiction or (B) the Subject Currency between accounts inside a Subject Currency Jurisdiction or to a party that is a non-resident of a Subject Currency Jurisdiction.

**"Governmental Authority"** means (i) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or (ii) any other entity (private or public) charged with the regulation of the financial markets (including the central bank), in each case in any relevant jurisdiction.

**"Hedging Disruption"** means that 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 any relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"Illiquidity Disruption"** means the occurrence of any event in respect of any of the Base Currency, Subject Currency and/or Subject Currencies whereby it becomes impossible for the Calculation Agent to obtain a firm quote for such currency in an amount deemed necessary by the Calculation Agent to hedge its obligations under the Notes (in one or more transaction(s)) on the relevant Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day (or, if different, the day on which rates for such Averaging Date, Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day would, in the ordinary course, be published or announced by the relevant Price Source or EM FX Price Source).

**"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 market risk (including, without limitation foreign exchange risk and interest rate 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.

**"Knock-in Determination Day"** means the date(s) specified as such in the Issue Terms, or otherwise each Scheduled Trading Day during the Knock-In Determination Period.

**"Knock-in Determination Period"** means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

**"Knock-in Event"** means the Knock-in Value is (A):

- (i) greater than;
- (ii) greater than or equal to;
- (iii) less than; or
- (iv) less than or equal to,

the Knock-in Level (x) or (B) within or outside the Knock-in Range on a Knock-in Determination Day or (y) in respect of any Knock-in Determination Period, as specified in the Issue Terms.

**"Knock-in Level"** means the FX Knock-in Level or the price, level, amount, percentage or value specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment in accordance with the

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

provisions set forth in Foreign Exchange (FX) Rate Linked Condition 1(a) and Foreign Exchange (FX) Rate Linked Condition 1(b).

**"Knock-in Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-In Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-in Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-In Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-in Range"** means the range of levels, prices, amounts, percentages or values specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in Foreign Exchange (FX) Linked Condition 1 (Non-EM Valuation and Disruption Provisions) or, as the case may be, Foreign Exchange (FX) Linked Condition 2 (EM Currency Valuation and Disruption Provisions).

**"Knock-in Valuation Time"** means the time or period of time on any Knock-in Determination Day specified as such in the Issue Terms or in the event that the Issue Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time or, as the case may be, EM Valuation Time.

**"Knock-in Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

**"Knock-out Determination Day"** means the date(s) specified as such in the Issue Terms, or otherwise each Scheduled Trading Day during the Knock-Out Determination Period.

**"Knock-out Determination Period"** means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

**"Knock-out Event"** means the Knock-out Value is (A):

- (i) greater than,
- (ii) greater than or equal to,
- (iii) less than or
- (iv) less than or equal to,

the Knock-out Level or (B) within or outside the Knock-out Range, (x) on a Knock-out Determination Day or (y) in respect of any Knock-out Determination Period, as specified in the Issue Terms.

**"Knock-out Level"** means the price, level, amount, percentage or value specified as such or otherwise determined in the Issue Terms, subject to adjustment in accordance with Foreign Exchange (FX) Linked Rate Condition 1(a) and Foreign Exchange (FX) Rate Linked Condition 1(b).

**"Knock-out Period Beginning Date"** means the date specified as such in the Issue Terms or, if the Knock-Out Period Beginning Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

**"Knock-out Period Ending Date"** means the date specified as such in the Issue Terms or, if the Knock-Out Period Ending Date Scheduled Trading Day Convention is specified as applicable in the Issue Terms and such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

**"Knock-out Range"** means the range of levels, prices, amounts, percentages or values specified as such or otherwise determined in the applicable Issue Terms, subject to adjustment from time to time in accordance with the provisions set forth in Foreign Exchange (FX) Linked Condition 1 (Non-EM Valuation and Disruption Provisions) or, as the case may be, Foreign Exchange (FX) Linked Condition 2 (EM Currency Valuation and Disruption Provisions).

**"Knock-out Valuation Time"** means the time or period of time on any Knock-out Determination Day specified as such in the Issue Terms or in the event that the Issue Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time or, as the case may be, EM Valuation Time.

**"Knock-out Value"** has the meaning given to it in the Issue Terms, being a term defined in Payout Condition 5.2.

**"Material Change in Circumstance"** means the occurrence of any event (other than those events specified as Disruption Events or, as the case may be, EM Disruption Events) in the Subject Currency Jurisdiction beyond the control of the parties to a hedging arrangement in respect of the Notes which makes it impossible (A) for a party to fulfil its obligations under the hedging arrangement or (B) generally to fulfil obligations similar to such party's obligations under that hedging arrangement.

**"Nationalisation"** means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives a party to a hedging arrangement in respect of the Notes of all or substantially all of its assets in the Subject Currency Jurisdiction.

**"Observation Date"** means the dates specified as such in the Issue Terms or, if any such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is the Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) shall apply; or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

**"Price Materiality"** means that, in the determination of the Calculation Agent, the EM Primary Rate differs from any EM Secondary Rate by at least the EM Price Materiality Percentage or if there are insufficient responses on the relevant Settlement Price Date, Averaging Date, Knock-In Determination Day or Knock-Out Determination Day to any survey used to calculate any such rate, then the EM Price Materiality Percentage will be deemed to be met.

**"Price Source"** means the published source, information vendor or provider containing or reporting the rate or rates from which the Settlement Price is calculated as specified in the Issue Terms.

**"Price Source Disruption"** means that it becomes impossible to obtain the rate or rates from which the Settlement Price is calculated.

**"Relevant Screen Page"** means the relevant page specified as such in the Issue Terms or any successor to such page or service acceptable to the Calculation Agent.

**"Scheduled Trading Day"** means:

- (a) where EM Foreign Exchange (FX) Rate Provisions are specified as not applicable in respect of a Subject Currency, a day on which commercial banks are open (or, but for the occurrence of a Disruption Event would have been open) for business (including dealings in foreign exchange in

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

**accordance** with the market practice of the foreign exchange market) in the principal financial centre of each of the Base Currency and the Subject Currency or Subject Currencies. In the case of euro, for these purposes, the principal financial centre shall be deemed to mean each of Frankfurt and Brussels; and

- (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of a Subject Currency, a day on which commercial banks are open (or, but for the occurrence of an EM Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the or each EM Scheduled Trading Day Jurisdiction specified in the Issue Terms Provided That where the Subject Currency is BRL, then notwithstanding the foregoing, if the Settlement Price Date, Averaging Date, Knock-In Determination Day or Knock-Out Determination Day falls on a date that, as the Trade Date, is not a scheduled day on which commercial banks are open (or, but for the occurrence of an EM Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in New York City (an "**NYC Business Day**"), then no adjustment to such date shall be made on account of the fact that such date is not an NYC Business Day.

**"Settlement Price"** means, subject as referred to in Foreign Exchange (FX) Rate Linked Notes Condition 1 or Foreign Exchange (FX) Rate Linked Notes Condition 1(b) above, as the case may be:

- (a) in the case of Foreign Exchange (FX) Rate Linked Notes relating to a basket of Subject Currencies and in respect of a Subject Currency:
  - (i) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Issue Terms, the spot rate of exchange appearing on the Relevant Screen Page at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Issue Terms, the relevant Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day or (b) if Averaging is specified in the Issue Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of such Subject Currency for which one unit of the Base Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on the relevant Settlement Price Date, Averaging Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent), multiplied by the relevant Weighting; or
  - (ii) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Issue Terms, the rate of exchange appearing on the EM FX Price Source at the EM Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Issue Terms, the relevant Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Issue Terms, an Averaging Date, for the exchange of such Subject Currency per one unit of the Base Currency for settlement on the EM Number of Settlement Days, multiplied by the relevant Weighting; and
- (b) in the case of Foreign Exchange (FX) Rate Linked Notes relating to a single Subject Currency:
  - (i) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Issue Terms, an amount equal to the spot rate of exchange appearing on the Relevant Screen Page at the Valuation Time or Knock-in Valuation Time

## ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES

or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Issue Terms, the relevant Settlement Price Date, Knock-in Determination Day or Knock-out Determination Day or (b) if Averaging is specified in the Issue Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of the Subject Currency for which one unit of the Base Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on the relevant Settlement Price Date, Averaging Date, Knock-In Determination Day or Knock-Out Determination Day, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent); or

- (ii) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of such Subject Currency in the Issue Terms, the rate of exchange appearing on the EM FX Price Source at the EM Valuation Time or Knock-in Valuation Time or Knock-out Valuation Time, as applicable, on (a) if Averaging is not specified in the Issue Terms, the relevant Settlement Price Date, Knock-In Determination Day or Knock-Out Determination Day or (b) if Averaging is specified in the Issue Terms, an Averaging Date, for the exchange of such Subject Currency per one unit of the Base Currency for settlement on the EM Number of Settlement Days.

**"Settlement Price Date"** means the Automatic Early Redemption Valuation Date, Strike Date, Observation Date or Valuation Date, as the case may be.

**"Specified Maximum Days of Disruption"** means the number of days specified in the Issue Terms, or if not so specified, five Scheduled Trading Days.

**"Strike Date"** means the Strike Date specified in the Issue Terms or, if such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) (Consequences of a Disruption Event) or, or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

**"Strike Day"** means each date specified as such in the applicable Issue Terms.

**"Strike Period"** means the period specified as the Strike Period in the Issue Terms.

**"Subject Currency"** means the currency(ies) specified as such in the Issue Terms (together, **"Subject Currencies"**).

**"Subject Currency Jurisdiction"** means each country for which the relevant Subject Currency is the lawful currency.

**"Unscheduled Holiday"** means a day that is not a Scheduled Trading Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in the principal financial centre of the Subject Currency two Scheduled

## **ADDITIONAL TERMS AND CONDITIONS FOR FOREIGN EXCHANGE (FX) RATE LINKED NOTES**

Trading Days prior to the relevant scheduled Settlement Price Date, Averaging Date, Knock-In Determination Day or Knock-Out Determination Day.

**"Valid Date"** means, in respect of an Averaging Date or an Observation Date or Knock-In Determination Day or Knock-Out Determination Day, a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date or Observation Date or Knock-In Determination Day or Knock-Out Determination Day, respectively, does not occur.

**"Valuation Date"** means any Coupon Valuation Date and/or Redemption Valuation Date, as the case may be, specified in the Issue Terms or, if such day is not a Scheduled Trading Day, (a) unless EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 1(b) shall apply; or (b) where EM Foreign Exchange (FX) Rate Provisions are specified as applicable in respect of the relevant Subject Currency in the Issue Terms, the immediately preceding Scheduled Trading Day for such Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in Foreign Exchange (FX) Rate Linked Note Condition 2(c) above, unless, in the opinion of the Calculation Agent, the resultant day determined in accordance with this sub-paragraph (b) day is a Disrupted Day, in which case the provisions of Foreign Exchange (FX) Rate Linked Note Condition 2(b) shall apply.

**"Valuation Time"** means, unless otherwise specified in the Issue Terms, the time at which the Price Source publishes the relevant rate or rates from which the Settlement Price is calculated.

**"Weighting"** means, in relation to a Subject Currency, the percentage specified as such in the Issue Terms.



## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

### ANNEX 7

#### ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

*If specified as applicable in the Issue Terms, the terms and conditions applicable to Credit Linked Notes shall comprise the General Conditions and the additional terms and conditions for Credit Linked Notes set out below (the "**Credit Linked Conditions**"), together with the terms and conditions as set out in each other Annex which is specified as applicable in the Issue Terms and subject to completion in the Issue Terms. In the event of any inconsistency between the General Conditions and the Credit Linked Conditions, the Credit Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Credit Linked Conditions and (ii) the Issue Terms, the Issue Terms shall prevail.*

Unless otherwise stated in these Credit Linked Conditions or in the Issue Terms, in the event that any day specified in the section "Credit Linked Redemption" in the Issue Terms or the last day of any period calculated by reference to calendar days falls on a day that is not a Business Day, such day or last day shall be subject to adjustment in accordance with the applicable Business Day Convention.

In the case of Credit Linked Notes for which more than one Reference Entity is specified in the Issue Terms, all references to "the Reference Entity" herein shall be construed to refer to the Reference Entity in respect of which the relevant determination falls to be made at any relevant time and all related provisions and determinations will be construed accordingly.

For the avoidance of doubt no Credit Linked Notes will be considered frustrated, or otherwise void or voidable (whether for mistake or otherwise) solely because:

- (a) any relevant Reference Entity does not exist on, or ceases to exist on or following, the Trade Date; and/or
- (b) Obligations, Deliverable Obligations or the Reference Obligation do not exist on, or cease to exist on or following, the Trade Date.

Credit Linked Notes may take the form of Single Reference Entity Credit Linked Notes, First-to-Default Credit Linked Notes, Nth-to-Default Credit Linked Notes or Linear Basket Credit Linked Notes. In the case of Linear Basket Credit Linked Notes, the Notes may be either Non-Tranched ("**Non-Tranched Linear Basket Credit Linked Notes**") to which either Credit Payment on Maturity or Credit Payment As You Go will apply or Tranched ("**Tranched Linear Basket Credit Linked Notes**"). The Issue Terms shall specify:

- (a) the type of Credit Linked Notes;
- (b) the Settlement Method (if applicable) and, where Auction Settlement applies, the applicable Fallback Settlement Method;
- (c) the Reference Entity or Reference Entities in respect of which a Credit Event may occur;
- (d) the Reference Obligation(s) (if any) in respect of each Reference Entity;
- (e) the Trade Date and the Scheduled Maturity Date;
- (f) the Reference Entity Notional Amount (if applicable) in respect of each Reference Entity; and
- (g) the Transaction Type applicable to each Reference Entity if Physical Settlement Matrix is specified as being applicable in the Issue Terms.

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Certain elections in respect of Credit Linked Notes and one or more Reference Entities may be made by specifying that the Physical Settlement Matrix is applicable in the Issue Terms. In this case the provisions of Credit Linked Condition 20 apply.

The application of any of Credit Linked Conditions 6, 7, 8, 9 or 11 below shall, for the avoidance of doubt, not preclude the application of any other such Credit Linked Condition either contemporaneously or subsequently and in the event that any such provisions are inconsistent or the Calculation Agent becomes entitled to exercise a discretion under one or more of such provisions, the Calculation Agent may elect in its discretion which provision shall apply and under which provision or provisions it shall exercise its discretion.

### **1. Redemption of Credit Linked Notes**

- (a) Unless previously redeemed or purchased and cancelled and provided that a Credit Event Determination Date has not occurred in respect of any Reference Entity, the Issuer shall redeem each Credit Linked Note on the Maturity Date by payment of the Final Redemption Amount. If a Credit Event Determination Date has occurred in respect of any Reference Entity, the Issuer shall redeem each Credit Linked Note as described below. References in these Credit Linked Conditions to a Credit Linked Note or Note are to a nominal amount of Credit Linked Notes equal to the Calculation Amount. Any payment of a "pro rata" amount in respect of a Note will be determined by reference to its nominal amount relative to the then aggregate nominal amount of Notes.
- (b) Where the Notes are Single Reference Entity Credit Linked Notes, if a Credit Event Determination Date has occurred in relation to the Reference Entity, then the Notes will be settled in accordance with Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable or, if the Notes are Zero/Set Recovery Notes, the provisions of paragraph (g) below will apply.
- (c) Where the Notes are First-to-Default Credit Linked Notes, if a Credit Event Determination Date has occurred in relation to any of the specified Reference Entities, then the Notes will be settled in accordance with Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, in relation only to the First Reference Entity (as defined in the definition of Credit Event Determination Date) or, if the Notes are Zero/Set Recovery Notes, the provisions of paragraph (g) below will apply.
- (d) Where the Notes are Nth-to-Default Credit Linked Notes, if a Credit Event Determination Date has occurred in relation to one or more of the specified Reference Entities notwithstanding any provision to the contrary in these Credit Linked Conditions, no settlement in accordance with Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, or interest adjustment in accordance with Credit Linked Condition 5 will occur until such time as a Credit Event Determination Date has occurred in respect of the Relevant Number of Reference Entities (a "**Trigger**"). The Reference Entity in respect of which a Credit Event Determination Date has occurred which causes the Trigger to occur is referred to as the "**Triggering Reference Entity**" and the Relevant Number is the number specified as such in the Issue Terms. As of the day on which the Calculation Agent determines that a Credit Event Determination Date has occurred in respect of the Relevant Number of References Entities then (i) Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, shall apply in relation only to the Triggering Reference Entity and the Credit Event Determination Date will be deemed to have occurred only as of such day for the purposes of the provisions set out in General Condition 3(g) or (ii) if the Notes are Zero/Set Recovery Notes, the provisions of paragraph (g) below will apply.
- (e) Where the Notes are Non-Tranching Linear Basket Credit Linked Notes to which Credit Payment on Maturity applies or Tranching Linear Basket Credit Linked Notes, if a Credit Event Determination Date has occurred in respect of any specified Reference Entity: (i) the Issuer shall give notice in each case that a Credit Event Determination Date has occurred (such notice a "**Settlement Notice**") to the Noteholders in accordance with General Condition 12 and (ii) in respect of each Credit Linked Note:

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (A) the interest calculation basis described in paragraph (i) below will apply; and
- (B) each Note shall be redeemed at the Credit Event Redemption Amount on the Credit Event Redemption Date, subject as provided in paragraph (h) below.

For the avoidance of doubt part (A) of this provision will apply and part (B) shall continue to apply in relation to each Reference Entity in respect of which a Credit Event Determination Date has occurred.

Any delay in the delivery of a Settlement Notice or failure by the Issuer to deliver a Settlement Notice shall not affect the validity of the Credit Event Determination Date in respect of the affected Reference Entity.

In respect of Trunched Linear Basket Credit Linked Notes and for the avoidance of doubt, where a Credit Event Determination Date has occurred with respect to a number of Reference Entities that is equal to or less than L (as defined below), then the Credit Event Redemption Amount will be par.

- (f) Where the Notes are Non-Trunched Linear Basket Credit Linked Notes to which Credit Payment As You Go applies, if a Credit Event Determination Date has occurred in respect of any specified Reference Entity: (i) the Issuer shall give notice in each case that a Credit Event Determination Date has occurred (such notice a "**Settlement Notice**") to the Noteholders in accordance with General Condition 12 and (ii) in respect of each Credit Linked Note:
  - (A) the Issuer shall pay as an Instalment Amount for the purposes of General Condition 5(j) an amount equal to the relevant Credit Event Amount, if any, on the relevant Credit Event Payment Date which will be the relevant Instalment Date;
  - (B) the interest calculation basis described in paragraph (i) below will apply; and
  - (C) each Note shall be redeemed at the Credit Event Redemption Amount on the Credit Event Redemption Date, provided that if on or prior to the Credit Event Redemption Date a Credit Event Determination Date has occurred in respect of all the specified Reference Entities each Credit Linked Note will be redeemed (together with accrued interest, if any) at the final Credit Event Amount on the final Credit Event Payment Date, subject as provided in paragraph (h) below.

For the avoidance of doubt parts (A) and (B) of this provision will apply and part (C) of this provision will continue to apply in relation to each Reference Entity in respect of which a Credit Event Determination Date has occurred.

Any delay in the delivery of a Settlement Notice or failure by the Issuer to deliver a Settlement Notice shall not affect the validity of the Credit Event Determination Date in respect of the affected Reference Entity.

- (g) Where the Notes are Zero/Set Recovery Notes then if a Credit Event Determination Date has occurred in respect of any Reference Entity (in the case of Single Reference Entity Credit Linked Notes, Linear Basket Credit Linked Notes or First-to-Default Credit Linked Notes) or in respect of the Triggering Reference Entity (in the case of Nth-to-Default Credit Linked Notes) then (i) following a Credit Event Determination Date in respect of any such Reference Entity the provisions of Credit Linked Conditions 2, 3 or 4 will not apply but each Single Reference Entity Credit Linked Note, First-to-Default Credit Linked Note and Nth-to-Default Credit Linked Note will be redeemed by payment of the Credit Event Redemption Amount, if any, on the Credit Event Redemption Date together with accrued interest, if any, and (ii) each Linear Basket Credit Linked Note may be redeemed (or otherwise) as provided in paragraph (e) or (f) above, as applicable and/or paragraph (h) below, if applicable.

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (h) Where any Credit Event Redemption Amount is or would be zero (whether the Notes are Zero/Set Recovery Notes or otherwise) then, other than for the payment of accrued interest or any other due but unpaid amounts, the Notes will be cancelled as of the Credit Event Redemption Date or, if other, the day on which it is determined that the Credit Event Redemption Amount is or would be, were it to be so calculated in respect of such day, be zero with no payment being due other than any final amount of accrued interest or any other due but unpaid amounts. The Issuer will have no further obligations in respect of the Credit Linked Notes.
- (i) In the case of Linear Basket Credit Linked Notes, each Note will bear interest pursuant to, and in accordance with, General Condition 3, provided that for the purposes of determining the interest amounts payable, the provisions set out in Credit Linked Condition 5 will not apply and instead the aggregate outstanding nominal amount of the Notes shall be deemed to be the Adjusted Credit Outstanding Nominal Amount or, in the case of each of General Condition 3(a)(ii) or 3(b)(v)(ii), the Calculation Amount shall be deemed to be each Note's pro rata share of the Adjusted Credit Outstanding Nominal Amount, in each case on the relevant Interest Payment Date or the relevant date for payment pursuant to Credit Linked Conditions 6, 7, 8, 9 or 11.
- (j) For these purposes "**Adjusted Credit Outstanding Nominal Amount**" means, on any Interest Payment Date or date for payment pursuant to Credit Linked Conditions 6, 7, 8, 9, or 11:
- (A) in the case of Non-Tranched Linear Basket Credit Linked Notes (i) the aggregate outstanding nominal amount minus (ii) the product of (a) the aggregate outstanding nominal amount and (b) a fraction with (x) the original aggregate Reference Entity Notional Amounts of Reference Entities in respect of which a Credit Event Determination Date has occurred on or prior to the relevant Interest Payment Date or date for payment pursuant to Credit Linked Conditions 6, 7, 8, 9 or 11, as the case may be, as numerator and (y) the original aggregate Reference Entity Notional Amounts of the original number of Reference Entities to which the Notes related, in each case as of the Issue Date of the first Tranche of the Notes, as denominator; or
- (B) in the case of Tranched Linear Basket Credit Linked Notes, an amount determined by the Calculation Agent by reference to the following formula:
- $$\text{aggregate outstanding nominal amount} * \left(1 - \left(\frac{1}{H-L}\right) * \text{Min}[H-L; \text{Max}[N-L; 0]]\right)$$
- Where,
- "**H**" means the higher tranche level, expressed as a number of Reference Entities as specified in the Issue Terms;
- "**L**" means the lower tranche level, expressed as a number of Reference Entities as specified in the Issue Terms; and
- "**N**" means the number of Reference Entities for which a Credit Event Determination Date has occurred.
- (k) For the avoidance of doubt the provisions of Credit Linked Conditions 6, 7, 8, 9 and 11 may each apply to First-to-Default Credit Linked Notes and Nth-to-Default Credit Linked Notes meaning that the Maturity Date may be delayed beyond the Scheduled Maturity Date in certain circumstances.
- (l) If any purchase and cancellation of Notes occurs under General Condition 5(h) or any further issue under General Condition 11, the Calculation Agent will make such adjustments to the applicable Issue Terms and/or these Credit Linked Conditions as it determines appropriate (including Reference Entity Notional Amounts) to ensure the Notes continue to reflect economic intentions.

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

### 2. Auction Settlement

- (a) Where Auction Settlement is specified as the applicable Settlement Method in the Issue Terms and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give notice (such notice as "**Auction Settlement Notice**") to the Noteholders in accordance with General Condition 12, and, subject to these Credit Linked Conditions, in particular Credit Linked Condition 1, redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Notes Currency on the Credit Event Redemption Date.
- (b) Unless settlement has occurred in accordance with the paragraph above, if:
  - (i) an Auction Cancellation Date occurs;
  - (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraphs (b) or (c)(ii) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
  - (iii) a DC Credit Event Question Dismissal occurs; or
  - (iv) a Credit Event Determination Date was determined pursuant to paragraph (a)(i) of the definition of Credit Event Determination Date or paragraph (a) of the definition of Non-Standard Credit Event Determination Date and no Credit Event Resolution Request Date has occurred in respect of the relevant Credit Event on or prior to the date falling three Business Days after such Credit Event Determination Date,then:
  - (x) if Fallback Settlement Method – Cash Settlement is specified as applicable in the Issue Terms, the Issuer shall redeem the Credit Linked Notes in accordance with Credit Linked Condition 3 below; or
  - (y) if Fallback Settlement Method – Physical Delivery is specified as applicable in the Issue Terms, the Issuer shall redeem the Credit Linked Notes in accordance with Credit Linked Condition 4 below.

*If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 2, upon payment of the Credit Event Redemption Amounts 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 Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.*

### 3. Cash Settlement

If a Credit Event Determination Date has occurred, then where Cash Settlement is specified as the applicable Settlement Method in the Issue Terms or if Credit Linked Condition 2(b)(x) above applies, the Issuer shall give notice (such notice as "**Cash Settlement Notice**") to the Noteholders in accordance with General Condition 12, and, subject to these Credit Linked Conditions, in particular Credit Linked Condition 1, redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Notes Currency on the Credit Event Redemption Date.

*If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 3, upon payment of the Credit Event Redemption Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other*

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

*liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the nominal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.*

### 4. Physical Settlement

If a Credit Event Determination Date has occurred, then where Physical Delivery is specified as the applicable Settlement Method in the Issue Terms or if Credit Linked Condition 2(b)(y) above applies, then, subject to any prior redemption, the Issuer shall, following the receipt of a Calculation Agent Physical Settlement Notice, give notice (such notice a "**Notice of Physical Settlement**") to the Noteholders in accordance with General Condition 12, and, subject to these Credit Linked Conditions, in particular Credit Linked Condition 1, redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer by the Delivery of the Deliverable Obligations comprising the Entitlement on the Credit Settlement Date, subject to and in accordance with the General Conditions and these Credit Linked Conditions. The relevant Asset Package, if applicable, will be deemed to be a Deliverable Obligation and the composition of the Asset Package and the Entitlement in respect of each Credit Linked Note equal to the Calculation Agent will be determined by reference to the relevant Prior Deliverable Obligation or Package Observable Bond specified in the relevant Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable. Where appropriate the Calculation Agent may make any adjustment in relation to provisions for physical delivery and determination of the Entitlement to take account of the relevant Asset Package.

In the Notice of Physical Settlement, the Issuer shall specify the Deliverable Obligations comprising the Entitlement 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 Entitlement, irrespective of their market value. The Notice of Physical Settlement shall include (i) details of the relevant Reference Entity, (ii) the Outstanding Principal Balance or Due and Payable Amount, as applicable, or the equivalent amount in the Settlement Currency (in each case the relevant "**Outstanding Amount**") and, if different, the face amount, of each such Deliverable Obligation. The aggregate Outstanding Amount of all Deliverable Obligations specified in the Notice of Physical Settlement that the Issuer intends to Deliver shall be the relevant "**Aggregate Outstanding Amount**".

The Issuer may, from time to time, amend a Notice of Physical Settlement by delivering a notice to Noteholders in accordance with General Condition 12, (each such notification, a "**Physical Settlement Amendment Notice**") that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such Physical Settlement Amendment Notice is effective). A Physical 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 Amount of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, that is being replaced (with respect to each such Deliverable Obligation, the "**Replaced Deliverable Obligation Outstanding Amount**"). The Outstanding Amount of each Replacement Deliverable Obligation identified in the Physical Settlement Amendment Notice shall be determined by applying the Revised Currency Rate to the relevant Replaced Deliverable Obligation Outstanding Amount. The Outstanding Amount of the Replacement Deliverable Obligation(s) specified in any Physical Settlement Amendment Notice in aggregate with the Outstanding Amount of the Deliverable Obligation(s) specified in the Notice of Physical Settlement or any earlier Physical Settlement Amendment Notice which, in each case, are not being replaced must not be greater than the Aggregate Outstanding Amount. Each such Physical Settlement Amendment Notice must be effective on or prior to the Credit Settlement Date (determined without reference to any change resulting from such Physical Settlement Amendment Notice). Notwithstanding the foregoing, (i) the Issuer may correct any errors or inconsistencies contained in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, by notice to Noteholders in accordance with General Condition 12, prior to the relevant Delivery Date; and (ii) if Asset Package Delivery is applicable, the Issuer shall on the PSN Effective Date, or as soon as reasonably practicable thereafter (but in any case, prior to the Delivery Date), notify the Noteholders (in accordance with General Condition 12) of the detailed description of the Asset Package, if

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

any, that the Issuer will Deliver in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, it being understood in each case that any such notice of correction shall not constitute a Physical Settlement Amendment Notice.

If "Mod R" is specified as applicable in the Issue Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then, unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may be included in the Entitlement only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date in each case as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements.

If "Mod Mod R " is specified as applicable in the Issue Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may be included in the Entitlement 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, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements. For the purposes of this paragraph only and notwithstanding the foregoing, in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

*If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 4, upon Delivery of the Deliverable Obligations and/or payment of the Partial Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Partial Cash Settlement Amount, as the case may be, may be less than the nominal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.*

### **5. Accrual of Interest or Yield**

- (a) Notwithstanding General Condition 3(g) and other than in the case of Zero Coupon Notes which are Credit Linked Notes, where subparagraph (b) below shall apply, or Linear Basket Credit Linked Notes, where Credit Linked Condition 1(i) will apply, if:
- (i) "Accrual of Interest upon Credit Event" is specified as not applicable in the Issue Terms, each Note shall cease to bear interest from the Interest Payment Date immediately preceding the Credit Event Determination Date, or if the Credit Event Determination Date is an Interest Payment Date such Interest Payment Date, or, if the Credit Event Determination Date falls prior to the first Interest Payment Date, no interest shall accrue on the Notes; or
  - (ii) "Accrual of Interest upon Credit Event" is specified as applicable in the Issue Terms, each Note shall cease to bear interest from the Credit Event Determination Date; and
  - (iii) "Continuing Accrual until scheduled maturity" is specified as applicable in the Issue Terms, then notwithstanding the occurrence of a Credit Event Determination Date each Note will continue to bear interest in accordance with General Condition 3(g) up to but excluding the Scheduled Maturity Date (with such date being deemed to be the final Interest Payment Date),

provided that, in the case of (i) or (ii) if:

- (A) Credit Linked Condition 6, Credit Linked Condition 7 or Credit Linked Condition 8 applies in respect of the Notes and, in the case of Credit Linked Condition 6, a Repudiation/Moratorium has not

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Credit Linked Condition 7, a Failure to Pay has not occurred on or prior to the Grace Period Extension Date or, in the case of Credit Linked Condition 8, a Credit Event has not occurred on or prior to the DC Cut-off Date, as the case may be; and/or

- (B) Credit Linked Condition 9 applies in respect of the Notes and a Credit Event Determination Date or the Repudiation/Moratorium Extension Condition, as applicable, has not occurred or are not satisfied on or prior to the Postponed Maturity Date,

then interest will accrue as provided in Credit Linked Condition 6, Credit Linked Condition 7, Credit Linked Condition 8 or Credit Linked Condition 9, as the case may be.

- (b) Notwithstanding General Condition 4(d) in the case of Zero Coupon Notes which are Credit Linked Notes: if,
  - (i) "Accrual Yield upon Credit Event" is specified as not applicable in the Issue Terms, following the occurrence of a Credit Event Determination Date, yield shall cease to accrue in respect of each Note from the Issue Date; or
  - (ii) "Accrual Yield upon Credit Event" is specified as being applicable in the Issue Terms, then, following the occurrence of a Credit Event Determination Date, the accrued yield in respect of each Note shall be determined by the Calculation Agent as such Note's pro rata share of an amount (the "Accrual Yield Amount") equal to the product of the Accrual Yield specified in the Issue Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (and including) the earlier of the Scheduled Maturity Date and the Credit Event Determination Date, as the case may be. Where such calculation is to be made for a period of less than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed in such incomplete month. Such Accrual Yield Amount shall be payable to Noteholders on the Credit Event Redemption Date which, for the avoidance of doubt, may fall after the Scheduled Maturity Date if the Notes in accordance with the provisions of Credit Linked Condition 6, Credit Linked Condition 7, Credit Linked Condition 8 or Credit Linked Condition 9, as the case may be.

### **6. Repudiation/Moratorium Extension**

If "Repudiation/Moratorium" is specified as a Credit Event in the Issue Terms, the provisions of this Credit Linked Condition 6 shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date or any Interest Payment Date (determined by reference to the Relevant Time) but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or any Interest Payment Date or, if Credit Linked Condition 9(y) applies, the Postponed Maturity Date or Postponed Interest Payment Date (as defined in Credit Linked Condition 9) and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium may, in the sole determination of the Calculation Agent, fall after the Scheduled Maturity Date or relevant Interest Payment Date, then the Calculation Agent shall notify the Noteholders in accordance with General Condition 12 that a Potential Repudiation/Moratorium has occurred and the maturity of the Notes and/or relevant interest payment will be delayed and:

- (a) in relation to such event as of the Scheduled Maturity Date, where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
  - (i) each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the Repudiation/Moratorium Evaluation Date or, if later, the Postponed Maturity Date; and



**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest (if any) calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Repudiation/Moratorium Evaluation Date or, if later, the Postponed Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
  - (iii) in the case of Credit Linked Notes which are Zero Coupon Notes, no amount in addition to the Final Redemption Amount shall be payable in respect of such delay; or
- (b) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 1, Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, shall apply to the Credit Linked Notes; or
- (c) in relation to such event as of an Interest Payment Date, the Calculation Agent may delay the relevant amount of interest which would otherwise be payable on the relevant Interest Payment Date. In this case where (i) a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date then the relevant amount of interest shall be payable on the second Business Day following the Repudiation/Moratorium Evaluation Date or, if later, the Postponed Interest Payment Date but no additional interest will be payable in respect of the relevant delay and for the avoidance of doubt no amendment will be made to any Interest Period or basis of calculation of the relevant amount of interest, other than as described above; or (ii) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and a Credit Event Determination Date has occurred thereafter, the relevant amount of interest will be adjusted accordingly and may be zero and will be payable on the second Business Day following the applicable Repudiation/Moratorium Evaluation Date or, if later, the Postponed Interest Payment Date.

**7. Grace Period Extension**

If "Grace Period Extension" is specified as applicable in the Issue Terms, the provisions of this Credit Linked Condition 7 shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date or any Interest Payment Date (determined by reference to the Relevant 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 Maturity Date or relevant Interest Payment Date (determined by reference to the Relevant Time) (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date or relevant Interest Payment Date), then the Calculation Agent shall notify the Noteholders in accordance with General Condition 12 that a Potential Failure to Pay has occurred and the maturity of the Notes and/or relevant interest payment will be delayed and:

- (a) in relation to such event as of the Scheduled Maturity Date, where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
  - (i) each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the Grace Period Extension Date; and
  - (ii) in the case of interest bearing Credit Linked 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 or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

payment of interest on the fifth 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; or

- (iii) in the case of Credit Linked Notes which are Zero Coupon Notes, no amount in addition to the Final Redemption Amount shall be payable in respect of such delay; or
- (b) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 1, Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, shall apply to the Credit Linked Notes; or
- (c) in relation to such event as of an Interest Payment Date, the Calculation Agent may delay the relevant amount of interest which would otherwise be payable on the relevant Interest Payment Date. In this case where (i) a Failure to Pay has not occurred on or prior to the Grace Period Extension Date then the relevant amount of interest shall be payable on the second Business Day following the Grace Period Extension Date but no additional interest will be payable in respect of the relevant delay and for the avoidance of doubt no amendment will be made to any Interest Period or basis of calculation of the relevant amount of interest, other than as described above; or (ii) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and a Credit Event Determination Date has occurred thereafter, the relevant amount of interest will be adjusted accordingly and may be zero and will be payable on the second Business Day following the applicable Grace Period Extension Date.

### **8. Credit Derivatives Determinations Committee Extension**

If, in the determination of the Calculation Agent, a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Maturity Date or any Interest Payment Date (determined by reference to the Relevant Time) then the Calculation Agent shall notify Noteholders in accordance with General Condition 12 that the Maturity Date or relevant Interest Payment Date has been postponed to a date (the "**DC Determination Cut-off Date**") being the day falling (i) (a) if the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred, fifteen (15) Business Days following the relevant DC Credit Event Announcement or (b) if the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred, the second Business Day following the relevant DC No Credit Event Announcement or, if later (ii) fifteen (15) Business Days following the DC Credit Event Question Dismissal, and:

- (a) in the case of the Maturity Date, where a Credit Event has not occurred on or prior to the DC Determination Cut-off Date:
  - (i) each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the DC Determination Cut-off Date; and
  - (ii) in the case of interest bearing Credit Linked 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 or if none the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the DC Determination 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
  - (iii) in the case of Credit Linked Notes which are Zero Coupon Notes, no amount in addition to the Final Redemption Amount shall be payable in respect of such delay; or

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (b) where a Credit Event has occurred on or prior to the DC Determination Cut-off Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 1, Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, shall apply to the Credit Linked Notes; or
- (c) in relation to such event as of an Interest Payment Date, the Calculation Agent may delay the relevant amount of interest which would otherwise be payable on the relevant Interest Payment Date. In this case where (i) a Credit Event has not occurred on or prior to the DC Determination Cut-off Date then the relevant amount of interest shall be payable on the second Business Day following the DC Determination Cut-off Date but no additional interest will be payable in respect of the relevant delay and for the avoidance of doubt no amendment will be made to any Interest Period or basis of calculation of the relevant amount of interest, other than as described above; or (ii) where a Credit Event has occurred on or prior to the DC Determination Cut-off Date and a Credit Event Determination Date has occurred thereafter, the relevant amount of interest will be adjusted accordingly and may be zero and will be payable on the second Business Day following the applicable DC Determination Cut-off Date.

**9. Maturity Date/Interest Payment Date Extension in the case of Credit Linked Notes**

The following provisions of this Credit Linked Condition 9 apply to Credit Linked Notes and, for the avoidance of doubt, may be applied on more than one occasion:

Without prejudice to Credit Linked Condition 11, if:

- (x) on (A) the Scheduled Maturity Date or any Interest Payment Date, (B), if applicable, the Repudiation/Moratorium Evaluation Date, (C) if Grace Period Extension is specified as applying in the Issue Terms, the Grace Period Extension Date, (D) the last day of the Notice Delivery Period or (E) the DC Determination Cut-off Date, as the case may be, a Credit Event Determination Date has not occurred but, in the determination of the Calculation Agent, a Credit Event or Potential Credit Event may have occurred or may occur; or
- (y) on the Scheduled Maturity Date or any Interest Payment Date, in the determination of the Calculation Agent, a Potential Repudiation/Moratorium may have occurred or may occur,

the Calculation Agent may at its option notify the Noteholders in accordance with General Condition 12 that the Maturity Date, the relevant Interest Payment Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date, the last day of the Notice Delivery Period or the DC Determination Cut-off Date, as the case may be, has been postponed to a date (such date the "**Postponed Maturity Date**" or, in the case of an Interest Payment Date, the "**Postponed Interest Payment Date**") specified in such notice falling fifteen (15) Business Days after the Scheduled Maturity Date, the relevant Interest Payment Date, the relevant Repudiation/Moratorium Evaluation Date or Grace Period Extension Date, or the last day of the Notice Delivery Period or the DC Determination Cut-off Date, as the case may be, or if such day is not a Business Day the immediately succeeding Business Day, and:

where:

- (a) in the case of Credit Linked Condition 9(x), a Credit Event Determination Date has not occurred on or prior to the Postponed Maturity Date or relevant Postponed Interest Payment Date or, in the case of Credit Linked Condition 9(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Maturity Date or relevant Postponed Interest Payment Date:
  - (i) subject as provided below, in the case of a Postponed Maturity Date each Note will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the Postponed Maturity Date; and

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (ii) in the case of a Postponed Maturity Date and interest bearing Credit Linked 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 or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Postponed Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
  - (iii) in the case of a Postponed Interest Payment Date, the Issuer shall be obliged to pay the relevant amount of interest on the second Business Day following the Postponed Interest Payment Date and no further or other amounts in respect of interest shall be payable as a result of such delay; or
  - (iv) in the case of Credit Linked Notes which are Zero Coupon Notes, no amount in addition to the Final Redemption Amount shall be payable in respect of such delay; or
- (b) where:
- (i) in the case of Credit Linked Condition 9(x), a Credit Event Determination Date has occurred on or prior to the Postponed Maturity Date or relevant Postponed Interest Payment Date, the provisions of Credit Linked Condition 1, Credit Linked Condition 2, Credit Linked Condition 3 or Credit Linked Condition 4, as applicable, shall apply to the Credit Linked Notes; or
  - (ii) in the case of Credit Linked Condition 9(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date or relevant Postponed Interest Payment Date, the provisions of Credit Linked Condition 1 or Credit Linked Condition 6 shall apply to the Credit Linked Notes.

**10. Partial Cash Settlement**

If all or a portion of the Obligations comprising the Entitlement are Undeliverable Obligations and/or Hedge Disruption Obligations, the Issuer shall give notice (a "**Partial Cash Settlement Notice**") to the Noteholders in accordance with General Condition 12 and the Issuer shall pay in respect of each Undeliverable Obligation and/or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

In the Partial Cash Settlement Notice, the Issuer must give details of why it is unable to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

Unless otherwise specified in the Issue Terms, for the purposes of this Credit Linked Condition 10 only the following terms shall be defined as follows and such definitions will apply notwithstanding other definitions of such terms in Credit Linked Condition 13:

**"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 Obligation, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

**"Market Value"** means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the Issue Terms and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (b) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) on the same Business Day on or prior to the tenth Business Day following the Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

**"Partial Cash Settlement Amount"** is deemed to be, for an Undeliverable Obligation or a Hedge Disruption Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, multiplied by (B) the Final Price with respect to such Undeliverable Obligation or Hedge Disruption Obligation, determined as provided in this Credit Linked Condition less if applicable (C) a *pro rata* share of Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Entitlement), and (ii) zero provided that where (i) the relevant Undeliverable Obligation or Hedge Disruption Obligation forms part of the Asset Package and the Calculation Agent determines in its sole discretion that a Final Price cannot reasonably be determined in respect of such Undeliverable Obligation or Hedge Disruption Obligation, then the Partial Cash Settlement Amount will be an amount calculated by the Calculation Agent in its sole discretion equal to the fair market value of the relevant Undeliverable Obligation or Hedge Disruption Obligation less Unwind Costs.

**"Partial Cash Settlement Date"** is deemed to be the date falling three Business Days after the calculation of the Final Price.

**"Quotation"** means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the Issue Terms, each Indicative Quotation obtained and expressed as a percentage of the Outstanding Principal Balance or Due and Payable Amount, as applicable, of the relevant Undeliverable Obligation or Hedge Disruption Obligation with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the Issue Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the Issue Terms, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
- (c) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this determination.

**"Quotation Amount"** is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount equal to at least 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 Obligation, as the case may be.

**"Valuation Date"** means, for the purposes of this Credit Linked Condition 10, the fifth Business Day after the Credit Settlement Date.

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

**"Valuation Time"** is the time specified as such in the Issue Terms, or, if no time is so specified, 11:00 a.m. in the principal trading market for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be.

**"Weighted Average Quotation"** means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, 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**

**(a) Suspension**

Without prejudice to Credit Linked Condition 9, if, following the determination of a Credit Event Determination Date but prior to the Credit Settlement Date or, to the extent applicable, a Valuation Date, there is a DC Credit Event Meeting Announcement, the Calculation Agent may, at its option, determine that the applicable timing requirements of this Credit Linked Condition 11 and the definitions of Credit Event

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Redemption Date, Valuation Date, Physical Settlement Period and PSN Cut-off Date, and any other Credit Linked Condition provision(s) as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a "**Suspension Period**") until the date of the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal. During such suspension period none of the Issuer, the Calculation Agent or any Noteholder are obliged to, nor are they entitled to, take any action in connection with the settlement of the Notes. Once the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal has occurred, the relevant timing requirements of the Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary with the Issuer having the benefit of the full day notwithstanding when the tolling or suspension began in accordance with this Credit Linked Condition 11.

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

### **(b) Interest**

In the case of interest bearing Credit Linked Notes:

- (i) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (ii) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Payment Day and no later than the fifth Payment Day following the end of the Suspension Period, all subject to the provisions of General Condition 4 and Credit Linked Conditions 6, 7 and 8.

## **12. Redemption following a Merger Event**

If "Merger Event" is specified as applying in the Issue Terms, 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 General Condition 12, and redeem all but not some only of the Credit Linked Notes and pay in respect of each Credit Linked Note, the Merger Event Redemption Amount on the Merger Event Redemption Date in each case as specified in the Issue Terms.

## **13. Definitions applicable to Credit Linked Notes**

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

"**10-year Limitation Date**" has the meaning given to that term in the definition of "Limitation Date".

"**Accrued Interest**" means for the purpose of these Credit Linked Conditions:

- (a) in respect of any Notes for which "Physical Settlement" is specified to be the Settlement Method in the Issue Terms (or for which Physical Settlement is applicable as the Fallback Settlement Method in accordance with Credit Linked Condition 2), the Outstanding Principal Balance of the Deliverable Obligations being Delivered will exclude accrued but unpaid interest, unless "Include Accrued Interest" is specified in the Issue Terms, in which case, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will include accrued but unpaid interest (as the Calculation Agent shall determine in its reasonable discretion);

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (b) in respect of any Notes for which "Cash Settlement" is specified to be the applicable Settlement Method in the Issue Terms (or for which Cash Settlement is applicable as the Fallback Settlement Method in accordance with Credit Linked Condition 2), and:
  - (i) "Include Accrued Interest" is specified in the Issue Terms, the Outstanding Principal Balance of the Reference Obligation shall include accrued but unpaid interest;
  - (ii) "Exclude Accrued Interest" is specified in the Issue Terms, the Outstanding Principal Balance of the Reference Obligation shall not include accrued but unpaid interest; or
  - (iii) neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the Issue Terms, the Calculation Agent shall determine, based on the then current market practice in the market of the Reference Obligation whether the Outstanding Principal Balance of the Reference Obligation shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof; or
- (c) if Credit Linked Condition 10 applies, the Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligation (as applicable), whether such Quotations shall include or exclude accrued but unpaid interest.

**"Affiliate"** means in relation to any entity (the **"First Entity"**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "control" means ownership of a majority of the voting power of an entity.

**"Asset"** means each obligation, equity, amount of cash, security, fee (including any "early-bird" or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the Reference Entity or a third party (or any value which was realised or capable of being realised in circumstances where the right and/or other asset no longer exists).

**"Asset Market Value"** means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee.

**"Asset Package"** means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event (which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered a choice of Assets or a choice of combinations of Assets, the Asset Package will be the Largest Asset Package. If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero.

**"Asset Package Credit Event"** means:

- (a) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the Issue Terms:
  - (i) a Governmental Intervention; or
  - (ii) a Restructuring in respect of the Reference Obligation, if "Restructuring" is specified as applicable in the Issue Terms and such Restructuring does not constitute a Governmental Intervention; and
- (b) if the Reference Entity is a Sovereign and "Restructuring" is specified as applicable in the Issue Terms, a Restructuring,



## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

in each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.

**"Asset Package Delivery"** will apply if an Asset Package Credit Event occurs, unless (i) such Asset Package Credit Event occurs prior to the Credit Event Backstop Date determined in respect of the Credit Event specified in the Credit Event Notice or DC Credit Event Announcement applicable to the Credit Event Determination Date, or (ii) if the Reference Entity is a Sovereign, either (a) no Package Observable Bond exists immediately prior to such Asset Package Credit Event or (b) it is specified not to apply in the Issue Terms by operation of the Physical Settlement Matrix or otherwise.

**"Auction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Cancellation Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Covered Transaction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price Determination Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Settlement Date"** shall mean the date that is the number of Business Days as shall be specified in the relevant Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the Auction Final Price Determination Date.

**"Auction Settlement Notice"** has the meaning given to that term in Credit Linked Condition 2.

**"Bankruptcy"** means the Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty (30) calendar days of the institution or presentation thereof or before the Scheduled Maturity Date (in the case of Credit Linked Notes), whichever is earlier;
- (e) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter or before the Scheduled Maturity Date (in the case of Credit Linked Notes), 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 clauses (a) to (g).

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

**"Calculation Agent Physical Settlement Amendment Notice"** means a notice by the Calculation Agent to the Issuer containing material information required to be included in a Physical Settlement Amendment Notice to be given by the Issuer.

**"Calculation Agent Physical Settlement Notice"** means a notice from the Calculation Agent to the Issuer containing material information required to be included in a Notice of Physical Settlement to be given by the Issuer.

**"Cash Settlement Notice"** has the meaning given to that term in Credit Linked Condition 3.

**"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, in each case as of each such date the Calculation Agent determines appropriate for purposes of the Hedging Arrangements 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 the Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

**"Conforming Reference Obligation"** means a Reference Obligation which is a Deliverable Obligation determined in accordance with paragraph (a) below of the definition of Deliverable Obligation below.

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

**"Credit Derivatives Determinations Committee"** (and each a **"Credit Derivatives Determinations Committee"**) means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions in connection with credit derivative transactions.

**"Credit Event"** means the occurrence of any one or more of the Credit Events specified in the Issue Terms which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring or Governmental Intervention.

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

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (a) any lack or alleged lack of authority or capacity of the Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;
- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or
- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**"Credit Event Amount"** means, in the case of Linear Basket Credit Linked Notes to which Credit Payment As You Go applies, following the occurrence of a Credit Event Determination Date in respect of any Reference Entity (i) the amount specified as such in the Issue Terms or (ii) a Note's *pro rata* share of the amount (which may be zero) calculated by the Calculation Agent in accordance with the following formula:

$$(\text{RENA} \times \text{FP}) - \text{UC}$$

where:

**"RENA"** is the Reference Entity Notional Amount in respect of the affected Reference Entity;

**"FP"** is the Final Price, the Auction Final Price or the Set/Zero Recovery Price, as applicable, in respect of the affected Reference Entity;

**"UC"** is Unwind Costs.

Expressed in words, this is (1) the product of the Reference Entity Notional Amount in respect of the affected Reference Entity and the Final Price, Auction Final Price or the Set/Zero Recovery Price, as applicable, in respect of the affected Reference Entity minus (2) the Unwind Costs.

**"Credit Event Backstop Date"** means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to a Repudiation/Moratorium, if applicable, the event described in paragraph (b) of the definition of Repudiation/Moratorium), 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 sixty (60) calendar days prior to the earlier of:
  - (i) if the Notice Delivery Date occurs during the Notice Delivery Period, the Notice Delivery Date; and
  - (ii) if the Notice Delivery Date occurs during the Post Dismissal Additional Period, 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, with respect to a Credit Event with respect to which:

- (a) Auction Settlement is the applicable Settlement Method or in any event in the case of a Tranche Linear Basket Credit Linked Note or a Zero/Set Recovery Note:

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (i) subject to paragraph (a)(ii) of this definition, the Notice Delivery Date if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (A) a DC Credit Event Announcement has occurred nor (B) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
- (ii) notwithstanding paragraph (a)(i) of this definition, the Credit Event Resolution Request Date, if a DC Credit Event Announcement has occurred, the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) and either:
  - (A)
    - (1) the Credit Event is not an M(M)R Restructuring; and
    - (2) the Trade Date occurs on or prior to a DC Announcement Coverage Cut-off Date; or
  - (B)
    - (1) the Credit Event is an M(M)R Restructuring; and
    - (2) a Credit Event Notice is delivered and is effective on or prior to the Exercise Cut-off Date,

provided that no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, or the Calculation Agent otherwise determines this is consistent with the Issuer's Hedging Arrangements, or

- (b) if paragraph (a) of this definition does not apply, the Non-Standard Credit Event Determination Date.

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 Credit Settlement 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 event.

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such adjustment(s) to these Credit Linked Conditions (including any adjustment to payment amounts) as may be required to reflect (I) such deemed date of occurrence or (II) such deemed non-occurrence, of such Credit Event Determination Date and (2) the effective date of such adjustment(s). For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any adjustment to payment amounts.

Where the Notes are First-to-Default Credit Linked Notes, a Credit Event Determination Date shall be deemed to occur with respect to the Notes on the first occasion a Credit Event Determination Date occurs with respect to any Reference Entity (the "**First Reference Entity**"). Where the Notes are First-to-Default Credit Linked Notes or Nth-to-Default Credit Linked Notes and a Credit Event Determination Date occurs with respect to more than one Reference Entity on the same day, the Calculation Agent shall determine in its sole discretion the order in which such Credit Event Determination Dates occur.

"**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 on or after the Credit Event Backstop Date and on or prior to the Extension Date.

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

Any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall be subject to the requirements regarding notices set out in General Condition 12.

**"Credit Event Payment Date"** means in relation to any Credit Event Amount the day falling the number of Business Days specified in the applicable Issue Terms (or, if a number of Business Days is not so specified, three Business Days) following (x) the calculation of the relevant Final Price or Auction Final Price, as applicable or (y) in the case of Zero/Set Recovery Notes, the Credit Event Determination Date.

**"Credit Event Redemption Amount"** means, unless otherwise specified in the Issue Terms:

- (a) in the case of Single Reference Entity Credit Linked Notes, First-to-Default Credit Linked Notes and Nth-to-Default Credit Linked Notes, an amount calculated by the Calculation Agent equal to each Note's *pro rata* share of:

$$[(RENA \times FP) - UC] + \text{Protected Amount}$$

Expressed in words, this is the sum of (a), (1) the product of the Reference Entity Notional Amount and the Final Price, Auction Final Price or the Set/Zero Recovery Price, as applicable minus (2) the Unwind Costs and (b) if specified as applicable in the Issue Terms, the Protected Amount.

- (b) in the case of Linear Basket Credit Linked Notes to which Credit Payment on Maturity applies, an amount calculated by the Calculation Agent equal to each Note's *pro rata* share of:

$$\left( \sum_{i=1}^n RENA_{u,i} \right) + \left( \sum_{i=1}^n RENA_{A,i} \times FP_{A,i} \right) - UC; \text{ or}$$

Expressed in words, this is (1) the sum of the Reference Entity Notional Amounts in respect of each Reference Entity for which a Credit Event Determination Date has not occurred plus (2) the sum of, in respect of each Reference Entity for which a Credit Event Determination Date has occurred, the product of the Reference Entity Notional Amount and the Final Price, Auction Final Price or the Set/Zero Recovery Price (as applicable) minus (3) Unwind Costs.

- (c) in the case of Linear Basket Credit Linked Notes to which Credit Payment As You Go applies, an amount calculated by the Calculation Agent equal to a Note's *pro rata* share of:

$$\sum_{i=1}^n RENA_{u,i}$$

Expressed in words, this is the sum of the Reference Entity Notional Amounts in respect of each Reference Entity for which a Credit Event Determination Date has not occurred; or

- (d) In the case of Tranches Linear Basket Credit Linked Notes, an amount calculated by the Calculation Agent equal to each Note's *pro rata* share of:

$$\text{aggregate outstanding nominal amount} * \left( 1 - \left( \frac{1}{H-L} \right) * \text{Min}[H-L; \text{Max}[N-L; 0]] \right)$$

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Expressed in words, this is the product of (i) the aggregate outstanding nominal amount of Notes and (ii) one minus the product of (x) the quotient of 1 as numerator and the number of Reference Entities specified as H (being the higher tranche level) in the Issue Terms minus the number of Reference Entities specified as L (being the lower tranche level) in the Issue Terms ("**H-L**" as denominator and (y) the lesser of H-L and the number, floored at zero, of Reference Entities in respect of which a Credit Event Determination Date has occurred minus the number of Reference Entities specified as L (being the lower tranche level) in the Issue Terms.

where:

**"Protected Amount"** means the amount stated in the Issue Terms if specified as applicable.

**"RENA"** is the Reference Entity Notional Amount, with **RENA<sub>u,i</sub>** being the Reference Entity Notional Amount in respect of any Reference Entity<sub>i</sub> for which a Credit Event Determination Date has not occurred and being deemed to be zero for all other Reference Entities and **RENA<sub>A,i</sub>** is the Reference Entity Notional Amount in respect of any Reference Entity<sub>i</sub> for which a Credit Event Determination Date has occurred and being deemed to be zero for all other Reference Entities;

**"FP"** is the Final Price, the Auction Final Price or the Set/Zero Recovery Price, as applicable, with **FP<sub>A,i</sub>** being such value in respect of the Reference Entity for which a Credit Event Determination Date has occurred;

**"UC"** is Unwind Costs; and

**"n"** is the number of Reference Entities,

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

**"Credit Event Redemption Date"** means, subject to Credit Linked Condition 11:

- (1) in the case of any Notes other than Linear Basket Credit Linked Notes,
  - (a) the day falling three Business Days, or such other number of Business Days specified in the Issue Terms, after (i) the calculation of the Final Price (ii) the Auction Settlement Date or (iii) if the Notes are Zero/Set Recovery Notes the Credit Event Determination Date, as applicable, in each case in respect of the Reference Entity the occurrence of which results in the Notes becoming redeemable or
  - (b) where Maturity Credit Redemption is specified to be applicable in the Issue Terms only: if later, the Maturity Date determined pursuant to these Credit Linked Conditions and subject to adjustment, where applicable, pursuant to Credit Linked Conditions 6, 7, 8, 9 and 11 or
- (2) in the case of Linear Basket Credit Linked Notes, the **"Maturity Date"** determined for these purposes as
  - (A) subject to (B) and (C) below, the later of
    - (a) the day falling three Business Days or such other number of Business Days specified in the Issue Terms, following (i) the calculation of the Final Price or (ii) the Auction Final Price Determination Date (or, if later, the related Auction Settlement Date) in respect of each Reference Entity for which a Credit Event Determination Date has occurred and for which the Final Price or Auction Final Price is relevant for the determination of the Credit Event Redemption Amount and
    - (b) the Maturity Date determined without regard to the provisions of this paragraph and subject to adjustment as specified in Credit Linked Conditions 6, 7, 8, 9 or 11; or

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (B) if the Notes are Zero/Set Recovery Notes, the later of
  - (a) the day falling three Business Days or such other number of Business Days specified in the Issue Terms, following the date as of which a Credit Event Determination Date has occurred or is determined not to have occurred in respect of each Reference Entity which is relevant for the determination of the Credit Event Redemption Amount and
  - (b) the Maturity Date determined without regard to the provisions of this paragraph and subject to adjustment as specified in Credit Linked Conditions 6, 7, 8, 9 or 11; or
- (C) if the Notes are Tranche Linear Basket Credit Linked Notes, the Maturity Date subject to adjustment as specified in Credit Linked Conditions 6, 7, 8, 9 or 11.

**"Credit Event Resolution Request Date"** means, with respect to a DC Credit Event Question, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

**"Credit Settlement Date"** means (a) the last day of the longest Physical Settlement Period following the PSN Cut-off Date (the **"Scheduled Credit Settlement Date"**) provided that if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Credit Settlement Date, the Credit 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 sixty (60) Business Days following the Scheduled Credit Settlement Date or (b) where Maturity Credit Redemption is specified to be applicable in the Issue Terms only: if later, the Maturity Date determined pursuant to these Credit Linked Conditions and subject to adjustment, where applicable, pursuant to Credit Linked Conditions 6, 7, 8, 9 and 11.

**"Currency Amount"** means, with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each Physical Settlement Amendment Notice with respect to that portion of the relevant Credit Linked 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 Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the Revised Currency Rate.

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

**"DC Announcement Coverage Cut-off Date"** means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is fourteen calendar days following the No Auction Announcement Date, if any, as applicable.

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

**"DC Credit Event Announcement"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date, provided that if the Credit Event occurred after the Scheduled Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

**"DC Credit Event Meeting Announcement"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.

**"DC Credit Event Question"** means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event has occurred.

**"DC Credit Event Question Dismissal"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.

**"DC Cut-off Date"** has the meaning given to that term in Credit Linked Condition 8.

**"DC No Credit Event Announcement"** means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event.

**"DC Party"** has the meaning given to that term in the DC Rules.

**"DC Resolution"** has the meaning given to that term the DC Rules.

**"DC Rules"** means 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.

**"DC Secretary"** has the meaning given to that term in the DC Rules.

**"Default Requirement"** means the amount specified as such in the Issue Terms or its equivalent in the relevant Obligation Currency or, if no such amount is specified in the Issue Terms, US\$10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

**"Deliver"** means to deliver, novate, transfer (including, in the case of a Guarantee, transfer of the benefit of the 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 (or, with respect to Deliverable Obligations where only equitable title is customarily conveyed, all equitable title) and interest in the Entitlement to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of "Credit Event" above but excluding any liens routinely imposed on all securities in a relevant clearance system or right of set-off by or of the Reference Entity or any applicable Underlying Obligor) provided that (i) if all or a portion of the Entitlement consists of Direct Loan Participations, "Deliver" means to create (or procure the creation of) a participation in favour of the relevant Noteholder and (ii) if a Deliverable Obligation is a Guarantee, "Deliver" means to Deliver both the Underlying Obligation and the Guarantee, provided further that if the Guarantee has a Fixed Cap, "Deliver" means to Deliver the Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap. **"Delivery"** and **"Delivered"**



## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

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.

If Asset Package Delivery is specified as applicable in the Issue Terms, (i) Delivery of a Prior Deliverable Obligation or a Package Observable Bond specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, may be satisfied by Delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) paragraph (a) above shall be deemed to apply to each Asset in the Asset Package provided that if any such Asset is not a Bond, it shall be treated as if it were a Loan for these purposes, (iii) if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been Delivered in full three Business Days following the date on which the Issuer has notified the Holders in accordance with Credit Linked Condition 4 of the detailed description of the Asset Package that it intends to Deliver, (iv) the Issuer may satisfy its obligation to make Delivery of the Prior Deliverable Obligation or Package Observable Bond in part by Delivery of each Asset in the Asset Package in the correct proportion and (v) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value and the term Asset Package shall be construed accordingly.

**"Deliverable Obligation"** means:

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in "(A) Method for Determining Deliverable Obligations" below;
- (b) the Reference Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Deliverable Obligation; and
- (d) if Asset Package Delivery is applicable, (i) if Financial Reference Entity Terms is specified as applicable in the Issue Terms, any Prior Deliverable Obligation, or (ii) if the Reference Entity is a Sovereign, any Package Observable Bond,

in each case, (i) unless it is an Excluded Deliverable Obligation and (ii) provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of paragraph (d) above, immediately prior to the relevant Asset Package Credit Event).

- (i) *Method for Determining Deliverable Obligations.* For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of the Reference Entity described by the Deliverable Obligation Category specified in the Issue Terms, and, subject to paragraph (ii) (*Interpretation of Provisions*) below, having each of, the Deliverable Obligation Characteristics, if any, specified in the Issue Terms, in each case, as of each such date the Calculation Agent determines relevant for purposes of the Hedging Arrangements. The following terms shall have the following meanings:

- (A) **"Deliverable Obligation Category"** means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligation, the definition of "Reference Obligations Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligation Only).

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (B) **"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), Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer;
- (1) **"Assignable Loan"** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent;
- (2) **"Consent Required Loan"** means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such loan) or any agent;
- (3) **"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);
- (4) **"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:
- I contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S 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);
  - II restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or
  - III restrictions in respect of blocked periods on or around payment dates or voting periods;
- (5) **"Maximum Maturity"** means an obligation that has a remaining maturity of not greater than the period specified in the Issue Terms (or if no such period is specified, thirty years);
- (6) **"Accelerated or Matured"** means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (7) **"Not Bearer"** means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream International or any other internationally recognised clearing system.

(ii) *Interpretation of Provisions*

- (A) If either of the Obligation Characteristics "Listed" or "Not Domestic Issuance" is specified in the Issue Terms, the Issue Terms shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds.
- (B) If (i) either of the Deliverable Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the Issue Terms, the Issue Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the Issue Terms, the Issue Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans; or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the Issue Terms, the Issue Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans.
- (C) If more than one of "Assignable Loan", "Consent Required Loan" and "Direct Loan Participation" are specified as Deliverable Obligation Characteristics in the Issue Terms, 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.
- (D) If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply:
- (1) for purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation;
- (2) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Issue Terms from the following list: "Not Subordinated", "Specified Currency", "Not Sovereign Lender", "Not Domestic Currency" and "Not Domestic Law";
- (3) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Issue Terms from the following list: "Listed", "Not Domestic Issuance", "Assignable Loan", "Consent Required Loan", "Direct Loan Participation", "Transferable", "Maximum Maturity", "Accelerated" or "Matured" and "Not Bearer"; and
- (4) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (5) For purposes of the application of the Deliverable Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero.
- (6) If "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the Issue Terms, if an obligation would otherwise satisfy a particular Obligation Characteristic or Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic or Deliverable Obligation Characteristic.
- (7) For purposes of determining the applicability of Deliverable Obligation Characteristics and the requirements specified in the paragraphs commencing "If "Mod R" ..." and "If "Mod Mod R" ..." in Credit Linked Condition 4 to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event.
- (8) If "Subordinated European Insurance Terms" is specified as applicable in the Issue Terms, if an obligation would otherwise satisfy the "Maximum Maturity" Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

For the avoidance of doubt the provisions of this paragraph (ii) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

**"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 or an Asset Package, the date such Deliverable Obligation is Delivered (or deemed to be Delivered pursuant to the definition of "Deliver" above).

**"Domestic Currency"** means the currency specified as such in the Issue Terms and any successor currency thereto (or if no such currency is specified, the lawful currency and any successor currency of (a) the Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign).

**"Domestic Law"** means each of the laws of (a) the Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if such Reference Entity is not a Sovereign.

**"Downstream Affiliate"** means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity. As used herein, **"Voting Shares"** shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**"Due and Payable Amount"** means the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either (A) the relevant PSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (B) the relevant Valuation Date, as applicable.

**"Eligible Information"** means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

**"Eligible Transferee"** means:

- (a) any:
  - (i) bank or other financial institution;
  - (ii) insurance or reinsurance company;
  - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity described in sub-paragraph (c) 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 US\$500 million;

- (b) an Affiliate of an entity specified in sub-paragraph (a);
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least US\$100 million or (B) is one of a group of investment vehicles under common control or management having, in aggregate, total assets of at least US\$100 million; or
  - (ii) that has total assets of at least US\$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)(i) or (d); or
- (d) any Sovereign; or
- (e) any entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

All references in this definition to US\$ include equivalent amounts in other currencies in each case as determined by the Calculation Agent.

**"Entitlement"** means, in respect of each nominal amount of Credit Linked Notes equal to the Calculation Amount, as applicable, Deliverable Obligations, as selected by the Calculation Agent, with:

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

(a) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance; or

(b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (a) or (b), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the Calculation Amount less, if Unwind Costs are specified as applying in the Issue Terms, Deliverable Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to a *pro rata* share of Unwind Costs.

**"Excluded Deliverable Obligation"** means:

(a) any obligation of a Reference Entity specified as such or of a type described in the Issue Terms;

(b) any principal only component of a Bond from which some or all of the interest components have been stripped; and

(c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

**"Excluded Obligation"** means:

(a) any obligation of a Reference Entity specified as such or of a type described in the Issue Terms;

(b) if "Financial Reference Entity Terms" is specified as applicable in the Issue Terms and (i) the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (ii) there is no Reference Obligation or Prior Reference Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and

(c) if "Financial Reference Entity Terms" is specified as applicable in the Issue Terms and the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

**"Exercise Cut-off Date"** means either:

(a) with respect to an M(M)R Restructuring and any Note to which paragraph (a) of the definition of Credit Event Determination Date above applies:

(i) if the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five Relevant City Business Days following the date on which such Final List is published; or

(ii) otherwise, the date that is 14 calendar days following the relevant No Auction Announcement Date; or

(b) with respect to a Credit Event where paragraph (a) of the definition of Credit Event Determination Date does not apply, the relevant Non-Standard Exercise Cut-off Date,

or, in each case, such other date as the relevant Credit Derivatives Determinations Committee Resolves.

**"Extension Date"** means the latest of:

(a) the Scheduled Maturity Date (for the purposes of this definition of Extension Date, the **"Scheduled Termination Date"**);

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (b) the Grace Period Extension Date if (i) "Failure to Pay" and "Grace Period Extension" are specified as applying in the Issue Terms, and (ii) the Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Scheduled Termination Date; and
- (c) the Repudiation/Moratorium Evaluation Date (if any) if "Repudiation/Moratorium" is specified as applicable in the Issue Terms, as applicable.

**"Failure to Pay"** means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure provided that, if an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest, principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination.

**"Fallback Settlement Method"** means, with respect to any Credit Linked Notes for which Auction Settlement is specified as the applicable Settlement Method in the Issue Terms, the fallback settlement method specified in the Issue Terms.

**"Final List"** has the meaning given in the DC Rules.

**"Final Price"** means the price of the relevant Reference Obligation(s), as the case may be, expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable, determined in accordance with the Valuation Method specified in the Issue Terms or, where applicable, Credit Linked Condition 10. The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the relevant Paying Agent (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

**"First-to-Default Credit Linked Notes"** means Credit Linked Notes indicated as such in the Issue Terms where the Issuer purchases credit protection from the Noteholders in respect of two or more Reference Entities, as specified in the Issue Terms.

**"Fixed Cap"** means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

**"Full Quotation"** means, in accordance with the Quotation Method each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount 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, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition of "Fully Transferable Obligation".

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

**"Further Subordinated Obligation"** means, in respect of a Reference Entity, if the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

**"Governmental Authority"** means:

- (a) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof);
- (b) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (c) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or some or all of its obligations; or
- (d) any other authority which is analogous to any of the entities specified in paragraphs (a) to (c) above.

**"Governmental Intervention"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (a) any event which would affect creditors' rights so as to cause:
  - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (iii) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
  - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (c) a mandatory cancellation, conversion or exchange; or
- (d) any event which has an analogous effect to any of the events specified in paragraphs (a) to (c).

For purposes of this definition of Governmental Intervention, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.

**"Grace Period"** means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under and in accordance with the terms of the relevant Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if "Grace Period Extension" is specified as applying in the Issue Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date or relevant Interest Payment Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date or



## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

relevant Interest Payment Date, the Grace Period will be deemed to be the lesser of such grace period and the period specified as such in the Issue Terms or, if no period is specified in the Issue Terms, thirty (30) calendar days; and

- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the Issue Terms, such deemed Grace Period shall expire no later than the Scheduled Maturity Date or relevant Interest Payment 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 (a) if the Obligation Currency is the euro, a day on which the TARGET2 System is open, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

**"Grace Period Extension Date"** means, if:

- (a) "Grace Period Extension" is specified as applying in the Issue Terms; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date or relevant Interest Payment Date,

the date falling the number of days in the Grace Period after the date of such Potential Failure to Pay. If "Grace Period Extension" is not specified as applicable in the Issue Terms, Grace Period Extension shall not apply.

**"Guarantee"** means a Relevant Guarantee or a guarantee which is the Reference Obligation.

**"Hedging Arrangements"** means any transaction(s), asset(s) or trading position(s) the Issuer and/or any of its Affiliates or agents may enter into or hold from time to time (including, if applicable, on a portfolio basis) to hedge directly or indirectly and whether in whole or in part the credit or other price risk of the Issuer issuing and performing its obligations with respect to the Credit Linked Notes.

**"Hedge Disruption Event"** means in the opinion of the Calculation Agent any event (including, without limitation, any delay in settlement of any Auction) as a result of which the Issuer and/or any of its Affiliates (a) has not received the relevant Deliverable Obligations under the terms of the Issuer's Hedging Arrangements (if any) and/or (b) cannot maintain, adjust, enter into or exercise rights under its Hedging Arrangements in each case in such a manner as is necessary to meet its obligations in full as these fall due solely with amounts or assets which it is entitled to receive under the Hedging Arrangements on the relevant due date(s) therefor.

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

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

**"Largest Asset Package"** means, in respect of a Prior Deliverable Obligation or a Package Observable Bond, as the case may be, the package of Assets for which the greatest amount of principal has been or will be exchanged or converted (including by way of amendment), as determined by the Calculation Agent by reference to Eligible Information. If this cannot be determined, the Largest Asset Package will be the package of Assets with the highest immediately realizable value, determined by the Calculation Agent in accordance with the methodology, if any, determined by the relevant Credit Derivatives Determinations Committee.

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

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

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

**"M(M)R Restructuring"** means a Restructuring Credit Event in respect of which either Mod R or Mod Mod R is specified as applicable in the Issue Terms.

**"Market Value"** means, with respect to the Reference Obligation on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount the Calculation Agent shall determine on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

**"Merger Event"** means that at any time during the period from (and including) the Trade Date to (but excluding) the Scheduled Maturity Date either (A) 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 (B) (i) either of the Issuer and (ii) a Reference Entity become Affiliates.

**"Minimum Quotation Amount"** means the amount specified as such in the Issue Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) US\$1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

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

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

**"Modified Restructuring Maturity Limitation Date"** means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date.

Subject to the foregoing, if the Scheduled Maturity Date is later than the 10 year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

In connection with the above, the final maturity date shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

**"Movement Option"** means, with respect to an M(M)R Restructuring for which a No Auction Announcement Date has occurred pursuant to paragraph (b) or (c)(ii) of the definition of No Auction Announcement Date, the option of the Issuer to apply to the Credit Linked 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 apply in respect of the Reference Transaction (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 Credit Linked 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 General Condition 12.

**"Movement Option Cut-off Date"** means the date that is one Relevant City Business Day following the Exercise Cut-off Date, or such other date as the relevant Credit Derivatives Determinations Committee has Resolved.

**"Next Currency Fixing Time"** means 4:00 p.m. (London time) on London Business Days immediately following the date on which the Notice of Physical Settlement or relevant Physical Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is effective. For the purposes of determining the Next Currency Fixing Time, **"London Business Day"** means a day on which banks and foreign exchange markets are generally open to settle payments in London.

**"No Auction Announcement Date"** means, with respect to a Credit Event, the date on which the DC Secretary first publicly announces that:

- (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published;
- (b) following the occurrence of an M(M)R Restructuring no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published; or
- (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by the DC Secretary to the contrary, in circumstances where either:
  - (i) no Parallel Auction will be held; or
  - (ii) one or more Parallel Auctions will be held.

**"Non-Conforming Reference Obligation"** means a Reference Obligation which is not a Conforming Reference Obligation.

**"Non-Conforming Substitute Reference Obligation"** means an obligation which would be a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above on

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

**"Non-Financial Instrument"** means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

**"Non-Standard Credit Event Determination Date"** means with respect to a Credit Event:

- (a) subject to paragraph (b) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (i) a DC Credit Event Announcement has occurred nor (ii) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
- (b) notwithstanding paragraph (a) of this definition, if a DC Credit Event Announcement has occurred and the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) either:
  - (i) the Credit Event Resolution Request Date, if either:
    - (A) (1) "Auction Settlement" is not the applicable Settlement Method;
    - (2) the relevant Credit Event is not an M(M)R Restructuring; and
    - (3) the Trade Date occurs on or prior to the date of the DC Credit Event Announcement; or
    - (B) (1) the relevant Credit Event is an M(M)R Restructuring; and
    - (2) a Credit Event Notice is delivered and is effective on or prior to the Non-Standard Exercise Cut-off Date, or
  - (ii) the first date on which a Credit Event Notice is delivered and is effective during either the Notice Delivery Period or the period from and including the date of the DC Credit Event Announcement to and including the date that is fourteen calendar days thereafter (provided, in each case, that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:
    - (A) (1) "Auction Settlement" is not the applicable Settlement Method;
    - (2) the relevant Credit Event is not an M(M)R Restructuring; and
    - (3) the Trade Date occurs following the date of the related DC Credit Event Announcement and on or prior to a DC Announcement Coverage Cut-off Date; or
    - (B) the Calculation Agent determines this is otherwise consistent with the Issuer's Hedging Arrangements,

provided that no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date or the Calculation Agent determines this is otherwise consistent with the Issuer's Hedging Arrangements.

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

**"Non-Standard Exercise Cut-off Date"** means, with respect to a Credit Event to which paragraph (a) of the definition of Credit Event Determination Date does not apply:

- (a) if such Credit Event is not an M(M)R Restructuring, either:
  - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
  - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
  - (iii) the date that is fourteen calendar days following the No Auction Announcement Date, if any, as applicable; or
- (b) if such Credit Event is an M(M)R Restructuring and:
  - (i) the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five Relevant City Business Days following the date on which such Final List is published; or
  - (ii) otherwise, the date that is fourteen calendar days following the relevant No Auction Announcement Date.

**"Non-Standard Reference Obligation"** means, in respect of the Reference Entity, the Original Non-Standard Reference Obligation or if a Substitute Reference Obligation has been determined, the Substitute Reference Obligation.

**"Non-Transferable Instrument"** means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

**"Notice Delivery Date"** means the first date on which both an effective Credit Event Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the Issue Terms, an effective Notice of Publicly Available Information, have been delivered by the Calculation Agent.

**"Notice Delivery Period"** means the period from and including the Trade Date to and including the date that is fourteen (14) calendar days after the Extension Date.

**"Notice of Physical Settlement"** has the meaning given to that term in Credit Linked Condition 4.

**"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. 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 in the Issue Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Credit Linked Condition 17.

**"Notice to Exercise Movement Option"** means, with respect to Notes for which (a) M(M)R Restructuring is applicable 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.

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

**"Nth-to-Default Credit Linked Notes"** means Credit Linked Notes indicated as such in the Issue Terms where the Issuer purchases credit protection from the Noteholders in respect of two or more Reference Entities, as specified in the Issue Terms.

**"Obligation"** means:

- (a) any obligation of the Reference Entity (either directly or as a provider of a Relevant Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below ); and
- (b) the Reference Obligation,

in each case unless it is an Excluded Obligation.

**"Method for Determining Obligations"**. For the purposes of paragraph (a) of this definition of **"Obligation"**, the term "Obligation" may be defined as the obligation of each Reference Entity described by the Obligation Category specified in the Issue Terms, and having each of the Obligation Characteristics (if any) specified in the Issue Terms, in each case, immediately prior to the Credit Event which is the subject of either the Credit Event Notice or the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (i) **"Obligation Category"** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the Issue Terms, 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;
  - (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; and
  - (f) **"Bond or Loan"** means any obligation that is either a Bond or a Loan.
- (ii) **"Obligation Characteristics"** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the Issue Terms, where:
  - (a) **"Not Subordinated"** means an obligation that is not Subordinated to (1) the Reference Obligation or, (2) the Prior Reference Obligation, if applicable;
  - (b) **"Subordination"** means, with respect to an obligation (the **"Second Obligation"**) and another obligation of the Reference Entity to which such obligation is being compared (the **"First Obligation"**), a contractual, trust or other similar arrangement providing that (I) upon

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

the liquidation, dissolution, reorganisation or winding-up of the Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the First Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign and (y) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and "Standard Reference Obligation" is applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date; and

- (c) "**Prior Reference Obligation**" means, in circumstances where there is no Reference Obligation applicable to the relevant Notes, (I) the Reference Obligation most recently applicable thereto, if any, and otherwise, (II) the obligation specified in the Issue Terms as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise, (III) any unsubordinated Borrowed Money obligation of the Reference Entity;
- (d) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such in the Issue Terms (or, if Specified Currency is specified in the Issue Terms and no currency is so specified, any Standard Specified Currency) provided that if the euro is a Specified Currency, "Specified Currency" shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority;
- (e) "**Not Sovereign Lender**" means any obligation that is not primarily owed to (A) a Sovereign or (B) any entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt";
- (f) "**Not Domestic Currency**" means any obligation that is payable in any currency other than applicable Domestic Currency provided that a Standard Specified Currency shall not constitute the Domestic Currency;
- (g) "**Not Domestic Law**" means any obligation that is not governed by applicable Domestic Law, provided that the laws of England and the laws of the State of New York shall not constitute a Domestic Law;
- (h) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (i) **"Not Domestic Issuance"** means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued, as the case may be), or intended to be offered for sale primarily in the domestic market of the Reference Entity.

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

**"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 the Reference Entity under one or more Obligations.

**"Original Non-Standard Reference Obligation"** means the obligation of the Reference Entity (either directly or as provider of a guarantee) which is specified as the Reference Obligation in respect of such Reference Entity in the Issue Terms (if any is so specified) provided that if an obligation is not an obligation of the Reference Entity, such obligation will not constitute a valid Original Non-Standard Reference Obligation for purposes of the relevant Notes (other than for the purposes of determining the Seniority Level and for the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) unless the relevant Notes are Reference Obligation Only Notes.

**"Outstanding Amount"** has the meaning given to that term in Credit Linked Condition 4.

**"Outstanding Principal Balance"** means the outstanding principal balance of an obligation which will be calculated as follows:

- (a) first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with the definition of Accrued Interest above, the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);
- (b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (A) payment or (B) a Permitted Contingency) (the amount determined in accordance with paragraph (a) above less any amounts subtracted in accordance with this paragraph (b), the **"Non-Contingent Amount"**); and
- (c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:



## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (i) unless otherwise specified, in accordance with the terms of the obligation in effect on either (A) the relevant PSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (B) the relevant Valuation Date; and
- (ii) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

**"Package Observable Bond"** means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within paragraphs (a) or (b) of the definition of Deliverable Obligation (above), in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective.

**"Parallel Auction"** means "Auction" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Cancellation Date"** means "Auction Cancellation Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Terms"** means, following the occurrence of an M(M)R Restructuring, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such M(M)R Restructuring, 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 discretion the applicable Credit Derivatives Auction Settlement Terms.

**"Parallel Notice of Physical Settlement Date"** means "Notice of Physical Settlement Date" as defined in the relevant Parallel Auction Settlement Terms.

**"Payment Requirement"** means the amount specified as such in the Issue Terms or its equivalent in the relevant Obligation Currency or, if no such amount is specified in the Issue Terms, US\$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 Contingency"** means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:

- (a) as a result of the application of:
  - (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;
  - (ii) provisions implementing the Subordination of the obligation;
  - (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);
  - (iv) if "Subordinated European Insurance Terms" are specified as applicable in the Issue Terms, any Solvency Capital Provisions; or

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (v) if "Financial Reference Entity Terms" are specified as applicable in the Issue Terms, provisions which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention; or
- (b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

**"Permitted Transfer"** means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.

**"Physical Settlement Amendment Notice"** has the meaning given to that term in Credit Linked Condition 4.

**"Physical Settlement Period"** means, subject to Credit Linked Condition 11, the number of Business Days specified as such in the Issue Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Entitlement, 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 provided that if the Issuer has notified the Holders in accordance with Credit Linked Condition 4 that it will Deliver an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Physical Settlement Period shall be 35 Business Days.

**"Post Dismissal Additional Period"** means the period from and including the date of the DC Credit Event Question Dismissal 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)).

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

**"Potential Repudiation/Moratorium"** means the occurrence of an event described in paragraph (a) of the definition of Repudiation/Moratorium.

**"Prior Deliverable Obligation"** means:

- (a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), any obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within paragraphs (a) or (b) of the definition of Deliverable Obligation above, in each case, immediately preceding the date on which such Governmental Intervention was legally effective; or
- (b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), such Reference Obligation, if any.

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

**"Prohibited Action"** means any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a) to (d) of the definition of Credit Event above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor.

**"Private-side Loan"** means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

**"PSN Cut-off Date"** means subject, where applicable, to Credit Linked Condition 13:

- (a) subject to paragraph (b) below, the later of:
  - (i) the thirtieth calendar day after the Credit Event Determination Date; and
  - (ii) the tenth calendar day after either the date of the relevant DC Credit Event Announcement or of the relevant DC Credit Event Question Dismissal, if any (or, if the relevant Credit Event is an M(M)R Restructuring, the tenth calendar day after the Non-Standard Exercise Cut-off Date); or
- (b) if, in accordance with the terms of Credit Linked Condition 2 above, Credit Linked Condition 4 applies as a result of the occurrence of (a) an Auction Cancellation Date or (b) a No Auction Announcement Date and:
  - (i) the relevant Credit Event is not an M(M)R Restructuring, the later of:
    - (A) the date determined pursuant to paragraph (a)(i) above; and
    - (B) the thirtieth calendar day after the Auction Cancellation Date or the No Auction Announcement Date, occurring pursuant to paragraphs (a) or (c)(i) of the definition of No Auction Announcement Date above, as applicable; or
  - (ii) the relevant Credit Event is an M(M)R Restructuring either:
    - (A) the later of:
      - I. the date determined pursuant to paragraph (a)(i) above; and
      - II. the thirtieth calendar day after:
        - (x) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of No Auction Announcement Date above, if any;
        - (y) a No Auction Announcement Date occurring pursuant to paragraph (c)(i) of the definition of No Auction Announcement Date above, if any; or
        - (z) the Auction Cancellation Date, if any, as applicable; or
    - (B) the later of the Parallel Notice of Physical Settlement Date (or, if more than one Parallel Notice of Physical Settlement Date should occur, the last Parallel Notice of Physical Settlement Date), and the Relevant City Business Day immediately following 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:

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- I. a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date above and the Issuer has not exercised the Movement Option; or
- II. a No Auction Announcement Date occurs pursuant to paragraph (c)(ii) of the definition of No Auction Announcement Date above and the Issuer has not exercised the Movement Option,

provided that in the case of paragraphs (a)(ii) and (b) above, the relevant Credit Event Resolution Request Date, if any, occurred on or prior to the date described in paragraph (a)(i) above.

**"PSN Effective Date"** means the date on which an effective Calculation Agent Physical Settlement Notice or Calculation Agent Physical Settlement Amendment Notice, as the case may be, is delivered to the Issuer.

**"Public Source"** means each source of Publicly Available Information specified as such in the Issue Terms (or if no such source is specified in the Issue Terms, each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, Asahi Shimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review and Debtwire (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

**"Publicly Available Information"** means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice have occurred and which:

- (a) has been published in or on not less than the Specified Number of Public Sources (regardless of whether the reader or user thereof pays a fee to obtain such information);
- (b) is information received from or published by (i) the Reference Entity (or, if the Reference Entity is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign) or (ii) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
- (c) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body;

provided that where any information of the type described in paragraphs (b) or (c) above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

In relation to any information of the type described in paragraphs (b) or (c) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information and that the 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.

- (a) Without limitation, Publicly Available Information need not state:
  - (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned by the Reference Entity; and
  - (ii) that the relevant occurrence:

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (A) has met the Payment Requirement or Default Requirement;
- (B) is the result of exceeding any applicable Grace Period; or
- (C) has met the subjective criteria specified in certain Credit Events.

In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in paragraphs (a) and (b) of the definition of Repudiation/Moratorium below.

**"Qualifying Affiliate Guarantee"** means a Qualifying Guarantee provided by the Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Reference Entity.

**"Qualifying Guarantee"** means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an Underlying Obligation for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

- (a) which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or
- (b) pursuant to the terms applicable thereto, the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance, in each case, other than:
  - (i) by payment;
  - (ii) by way of Permitted Transfer;
  - (iii) by operation of law;
  - (iv) due to the existence of a Fixed Cap; or
  - (v) due to:
    - (A) provisions permitting or anticipating a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the Issue Terms; or
    - (B) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the Issue Terms.

If the guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such guarantee or Underlying Obligation, due to or following the occurrence of (I) a non-payment in respect of the guarantee or the Underlying Obligation, or (II) an event of the type described in the definition of Bankruptcy above in respect of the Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the guarantee or Underlying Obligation.

In order for a guarantee to constitute a Qualifying Guarantee:

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- I. the benefit of such guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation; and
- II. if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being Delivered together with the Delivery of such guarantee.

**"Qualifying Participation Seller"** means any participation seller that meets the requirements specified in the Issue Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller.

**"Quantum of the Claim"** means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

**"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:

The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

**"Quotation Amount"** means the amount specified as such in the Issue Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the Issue Terms, the Reference Entity Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

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

**"Quotation Method"** means the applicable Quotation Method specified in the Issue Terms by reference to one of the following terms:

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

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

If a Quotation Method is not specified in the Issue Terms, Bid shall apply.

**"Reference Entity"** means the entity specified as such in the Issue Terms. Any Successor to the Reference Entity either (a) identified pursuant to the definition of "Successor" on or following the Trade Date or (b) identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date shall, in each case, with effect from the Succession Date, be the Reference Entity for the purposes of the relevant Series.

**"Reference Entity Notional Amount"**, in respect of a Reference Entity, means the amount specified as such in the applicable Issue Terms (or, if no such amount is so specified, the Aggregate Nominal Amount of the Notes as of the Issue Date divided by the number of Reference Entities), subject to adjustment as provided in "Successor" and these Credit Linked Conditions.

**"Reference Obligation"** means the Standard Reference Obligation, if any, unless:

- (a) "Standard Reference Obligation" is specified as not applicable in the Issue Terms, in which case the Reference Obligation will be the Non-Standard Reference Obligation, if any; or
- (b) (i) "Standard Reference Obligation" is specified as applicable in the Issue Terms (or no election is specified in the Issue Terms), (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the Issue Terms, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

If the Standard Reference Obligation is removed from the SRO List, such obligation shall cease to be the Reference Obligation and the Calculation Agent will select as a substitute Reference Obligation any Deliverable Obligation with the same level of seniority as the relevant Seniority Level. In addition, the Calculation Agent (i) may replace the Reference Obligation with any further Deliverable Obligation with the same level of seniority as the relevant Seniority Level from time to time and (ii) if a new obligation is placed on the SRO List, in respect of the relevant Reference Entity, then the Calculation Agent may, but is not obliged to, select the new Standard Reference Obligation in respect of the Reference Entity as the Reference Obligation. The provisions of this definition may be applied by the Calculation Agent on more than one occasion and are without prejudice to the right of the Calculation Agent to determine a Substitute Reference Obligation.

**"Reference Obligation Only Notes"** means any Notes in respect of which (a) "Reference Obligation Only" is specified as the Obligation Category and the Deliverable Obligation Category in the Issue Terms and (b) "Standard Reference Obligation" is specified as not applicable in the Issue Terms.

**"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 Credit Linked Notes (if such Deliverable Obligation Terms and Reference Obligation are specified in the Issue Terms) or (ii) if and to the extent the Deliverable Obligation Terms and/or the Reference Obligation are not specified, the Deliverable Obligation Terms and Reference Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;
- (b) with a scheduled termination date matching the Scheduled Maturity Date of the Credit Linked Notes; and

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (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 Credit Linked Notes.

**"Relevant City Business Day"** has the meaning given in the DC Rules.

**"Relevant Guarantee"** means a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the Issue Terms, a Qualifying Guarantee.

**"Relevant Holder"** means a holder of the latest Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable.

**"Relevant Obligations"** means the Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), provided that:

- (a) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;
- (b) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under paragraph (a) of the definition of Successor below, make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- (c) if "Financial Reference Entity Terms" is specified as applicable in the Issue Terms and (i) the Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (ii) there is no Reference Obligation or Prior Reference Obligation, the Relevant Obligations shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan"; and
- (d) if "Financial Reference Entity Terms" is specified as applicable in the Issue Terms, and the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan", provided that if no such Relevant Obligations exist, "Relevant Obligations" shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan".

**"Relevant Time"** means Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement) Tokyo time).

**"Replaced Deliverable Obligation Outstanding Amount"** has the meaning given to that term in Credit Linked Condition 4.

**"Replacement Deliverable Obligation"** has the meaning given to that term in Credit Linked Condition 4.

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market and at the relevant time, which amount will be determined by the Calculation Agent.

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



**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

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

**"Repudiation/Moratorium Evaluation Date"** means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

**"Repudiation/Moratorium Extension Condition"** will be satisfied:

- (a) if the DC Secretary publicly announces, pursuant to a valid request that was delivered and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity and that such event occurred on or prior to (i) the Scheduled Maturity Date or relevant Interest Payment Date (determined by reference to the Relevant Time) or, (ii) if Credit Linked Condition 9(y) applies, the Postponed Maturity Date (determined by reference to the Relevant Time); or
- (b) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the Issue Terms, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date.

In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or not capable of being satisfied, if, or to the extent that, the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the Reference Entity, or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity but that such event occurred after the Scheduled Maturity Date (determined by reference to the Relevant Time).

**"Repudiation/Moratorium Extension Notice"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date. 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.

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

"**Resolve**" has the meaning set out in the DC Rules, and "**Resolved**" and "**Resolves**" shall be construed accordingly.

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

"**Restructuring**" means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all the holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date applicable to the relevant Credit Linked Notes and the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest, or (ii) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

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

- (i) the payment in euro of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;
- (iii) the occurrence of, agreement to or announcement of any of the events described in (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
- (iv) the occurrence of, agreement to or announcement of any of the events described in (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, provided that in respect of paragraph (e) above only, no such deterioration in the creditworthiness or financial condition of the Reference

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

For purposes of this definition of Restructuring and Credit Linked Condition 15, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in the definition of Restructuring and the definition of Subordination shall be deemed to refer to the Underlying Obligor and the references to the Reference Entity in paragraphs (i) to (iv) of this definition of Restructuring shall continue to be deemed to refer to the Reference Entity.

If an exchange has occurred, the determination as to whether one of the events described under paragraphs (a) to (e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

**"Restructuring Date"** means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Restructuring Maturity Limitation Date"** means with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a **"Latest Maturity Restructured Bond or Loan"**) and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan. For these purposes, the final maturity date shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

**"Revised Currency Rate"** means, with respect to a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding 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.

**"Scheduled Maturity Date"** has the meaning given to it in the Issue Terms.

**"Seniority Level"** means, with respect to an obligation of the Reference Entity:

- (a) "Senior Level" or "Subordinated Level" as specified in the Issue Terms, or
- (b) if no such seniority level is specified in the Issue Terms, "Senior Level" if the Original Non-Standard Reference Obligation is a Senior Obligation or "Subordinated Level" if the Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which
- (c) "Senior Level".

**"Senior Obligation"** means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity.

**"Settlement Currency"** means the currency specified as such in the Issue Terms, or if no currency is specified in the Issue Terms, the Specified Notes Currency of the Credit Linked Notes.

**"Set/Zero Recovery Price"** means the percentage specified as such in the Issue Terms.

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

**"Settlement Method"** means, if (a) Auction Settlement is specified as the applicable Settlement Method in the Issue Terms, Auction Settlement or (b) Cash Settlement is specified as the applicable Settlement Method in the Issue Terms, Cash Settlement, or (c) Physical Delivery is specified as the applicable Settlement Method in the Issue Terms, Physical Delivery.

**"Single Reference Entity Credit Linked Notes"** means Credit Linked Notes indicated as such in the Issue Terms, where the Issuer purchases credit protection from the Noteholders in respect of only one Reference Entity.

**"Solvency Capital Provisions"** means any terms in an obligation which permit the Reference Entity's payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

**"Sovereign"** means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including without limiting the foregoing, the central bank) thereof.

**"Sovereign Restructured Deliverable Obligation"** means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or DC Credit Event Announcement has occurred and (b) which fell within paragraph (a) of the definition of Deliverable Obligation above immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Sovereign Succession Event"** means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or, other similar event.

**"Specified Number"** means the number of Public Source(s) specified in the Issue Terms, or if no such number is specified in the Issue Terms, two.

**"SRO List"** means the list of Standard Reference Obligations as published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.

**"Standard Reference Obligation"** means the obligation of the Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List.

**"Standard Specified Currency"** means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

**"Steps Plan"** means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.

**"Subordinated Obligation"** means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of that Reference Entity existed.

**"Substitute Reference Obligation"** means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the obligation that will replace the Non-Standard Reference Obligation, determined by the Calculation Agent as follows:

- (a) The Calculation Agent shall identify the Substitute Reference Obligation in accordance with paragraphs (c), (d) and (e) below to replace the Non-Standard Reference Obligation; provided that the

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation has not changed materially since the date of the relevant DC Resolution.

- (b) If any of the events set forth under paragraphs (a) or (b)(ii) of the definition of Substitution Event have occurred with respect to the Non-Standard Reference Obligation, the Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic and paragraph (c)(ii)). If the event set forth in paragraph (b)(i) of the definition of Substitution Event below has occurred with respect to the Non-Standard Reference Obligation and no Substitute Reference Obligation is available, the Non-Standard Reference Obligation will continue to be the Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under paragraphs (a) or (b)(ii) of the definition of Substitution Event below occur with respect to such Non-Standard Reference Obligation provided that, in the absence of any notification to the contrary to the Holders by the Calculation Agent at any time on or prior to the date on which the Notes are due to be redeemed, the Substitute Reference Obligation which shall replace the Non-Standard Reference Obligation shall be deemed to be, on any date, the security which is identified by its ISIN under the column entitled "RED Ref. Ob." which corresponds to the name of the relevant Reference Entity under the column entitled "RED Legal Name" which is found on Bloomberg Page "REDL" (or any successor page or service thereto) on such date..
- (c) The Substitute Reference Obligation shall be an obligation that on the Substitution Date:
- (i) is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a guarantee);
  - (ii) satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change to the priority of payment after such date) and on the Substitution Date; and
  - (iii)
    - (A) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:
      - I. is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,
      - II. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above;
    - (B) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:
      - I. is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
      - II. is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- III. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
  - IV. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or
- (C) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:
- I. is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
  - II. is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
  - III. is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,
  - IV. is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of Deliverable Obligation above.
- (d) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in paragraph (c) above, the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Issuer under the Notes as determined by the Calculation Agent. The Calculation Agent will notify the Holders in accordance with General Condition 12 of the Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with paragraph (c) above and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation.
- (e) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation then, subject to paragraph (a) above and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with paragraph (b) above, the Calculation Agent shall continue to attempt to identify the Substitute Reference Obligation.
- (f) For the avoidance of doubt, no Substitute Reference Obligation shall be determined in respect of any Credit Linked Notes that are Reference Obligation Only Notes.

**"Substitute Reference Obligation Resolution Request Date"** means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve a Substitute Reference Obligation to the Non-Standard Reference Obligation, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

**"Substitution Date"** means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent notifies the Issuer of the Substitute Reference Obligation that it has identified in accordance with the definition of Substitute Reference Obligation above.

**"Substitution Event"** means, with respect to the Non-Standard Reference Obligation:

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (a) the Non-Standard Reference Obligation is redeemed in whole; or
- (b) provided that the Credit Linked Notes to which the Non-Standard Reference Obligation relates are not Reference Obligation Only Notes:
  - (i) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below US\$ 10,000,000 (or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or
  - (ii) for any reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of the Reference Entity (either directly or as provider of a guarantee).

For purposes of identification of the Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event. If an event described in paragraphs (a) or (b)(i) above has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to paragraphs (a) or (b)(i) above as the case may be, on the Trade Date.

**"Substitution Event Date"** means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

**"Succession Date"** means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; provided that if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (i) the date on which a determination pursuant to paragraph (a) of the definition of Successor below would not be affected by any further related successions in respect of such Steps Plan, or (ii) the occurrence of a Credit Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.

**"Successor"** means:

- (a) subject to paragraph (b) below, the entity or entities, if any, determined as follows:
  - (i) subject to paragraph (vii), if one entity succeeds, either directly or indirectly, as a provider of a Relevant Guarantee, to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor;
  - (ii) if only one entity succeeds directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each succeeds directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and these Terms and Conditions and/or the Issue Terms will be adjusted as provided below;
  - (iv) if one or more entity each succeed directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Reference Entity, each such entity and the Reference Entity will each be a Successor and these Terms and Conditions and/or the Issue Terms will be adjusted as provided below;

- (v) if one or more entities succeed directly as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of such succession;
  - (vi) if one or more entities succeed, either directly or indirectly, as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if two or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor and these Terms and Conditions and/or the Issue Terms will be adjusted as provided below); and
  - (vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the Universal Successor) will be the sole Successor; and
- (b) An entity may only be a Successor if:
- (i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after January 1, 2014;
  - (ii) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and
  - (iii) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date, any Successor or Successors under paragraph (a) above, Provided That the Calculation Agent will not make any such determination if, at the time of determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations.

The Calculation Agent will make all calculations and determinations required to be made under this definition of Successor on the basis of Eligible Information and will, as soon as practicable after such calculation or determination, make such calculation or determination available for inspection by Noteholders at the specified office of the relevant Paying Agent. In calculating the percentages used to determine whether an entity qualifies as a Successor under paragraph (a) above, if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

Where pursuant to paragraph (a)(iii), (a)(iv) or (a)(vi) or (b) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Terms and Conditions and/or the Issue Terms as it



## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

shall determine to be appropriate to reflect that the Reference Entity has been succeeded by more than one Successor (which amendments may, for the avoidance of doubt, include in the case of Tranches Linear Basket Credit Linked Notes, such adjustments as the Calculation Agent determines appropriate to the numbers of Reference Entities specified as "**H**" and "**L**", having regard to any adjustments made to the notional portfolio to which the Notes relate) 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 and/or the Issue Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Credit Linked Notes under the provisions of the 2014 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Holders in accordance with General Condition 12 stating the adjustment to these Terms and Conditions and/or the Issue Terms and giving brief details of the relevant Successor event.

If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**") either directly or as a provider of a Relevant Guarantee, then (i) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (ii) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

For the purposes of this definition of "Successor", "**succeed**" means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (ii) issues Bonds or incurs Loans (the **Exchange Bonds** or **Loans**) that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable. For purposes of this definition of "Successor", "succeeded" and "succession" shall be construed accordingly. In the case of an exchange offer, the determinations required pursuant to paragraph (a) of this definition of "Successor" shall be made on the basis of the outstanding principal balance of Relevant Obligations exchanged and not on the basis of the outstanding principal balance of the Exchange Bonds or Loans.

Notwithstanding the provisions above and sub-paragraph (b) of the definition of Reference Entity, where one or more Reference Entities (each an "**Affected Reference Entity**") and/or the Issuer would, but for this provision, be identified as a Successor to another Reference Entity pursuant to the above provisions and at least one other entity which is not a Reference Entity or the Issuer is also identified as a Successor for the purposes of any succession, each Affected Reference Entity and/or the Issuer, as applicable, shall not be regarded as a "Successor" for the purposes of the Notes. Where pursuant to the provisions above or sub-paragraph (b) of the definition of Reference Entity one or more Reference Entities (each an "**Affected Reference Entity**") and/or the Issuer would, but for this provision, be identified as a Successor to another Reference Entity pursuant to the above provisions but no other entities (that are not Reference Entities or the Issuer) are identified as a Successor in respect of the relevant succession, each Affected Reference Entity and/or the Issuer, as applicable, shall not be regarded as a "Successor" for the purposes of the Notes and, in respect of each Affected Reference Entity or the Issuer, as applicable, the Calculation Agent shall use reasonable endeavours to (a) select an Alternative Reference Entity to be the Successor in respect of the relevant succession and (b) select an Alternative Reference Obligation to be the Reference Obligation in respect of such Alternative Reference Entity after the relevant succession and the Calculation Agent may make such adjustments to the Conditions and/or the Issue Terms as it determines to be necessary or desirable to reflect such Alternative Reference Entity and Alternative Reference Obligation. If the Calculation Agent is unable to select an Alternative Reference Entity or an Alternative Reference Obligation, then: (i) no Successor shall be appointed; (ii) the Affected Reference Entity to which the relevant succession relates shall be deemed

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

to have ceased to be a Reference Entity; (iii) that portion of any interest payable which is referable to the purchase of credit protection purchased by the Issuer under the Notes in respect of the Affected Reference Entity shall be reduced accordingly as determined by the Calculation Agent in its sole and absolute discretion; and (iv) the Calculation Agent may make such adjustments to the Conditions and/or the Issue Terms to account for the Successor Associated Costs, which may include, without limitation, reducing the Final Redemption Amount, Credit Event Redemption Amount or the Entitlement (as the case may be) by an amount equal to the Successor Associated Costs, in each case with effect from the date determined by the Calculation Agent to be the relevant Succession Date.

Where:

**"Alternative Reference Entity"** means an entity which satisfies both the Industry Requirement (other than in the case of a Sovereign) and the Spread Requirement as determined by the Calculation Agent in its sole and absolute discretion;

**"Alternative Reference Obligation"** means any obligation of the Alternative Reference Entity selected by the Calculation Agent in its sole and absolute discretion which, as far as practicable, in the determination of the Calculation Agent is substantially similar in economic terms to the relevant Reference Obligation of the Reference Entity for which a Successor falls to be determined pursuant to this definition of "Successor". An Alternative Reference Obligation may or may not be the applicable Standard Reference Obligation for the Alternative Reference Entity;

**"Industry Requirement"** means an entity that is in the same industry group as the Reference Entity for which a Successor falls to be determined pursuant to this definition of "Successor", as determined by the Calculation Agent in its sole and absolute discretion by reference to such source(s) as it determines appropriate, including any international market data sources such as, but not limited to, credit rating agencies;

**"Spread"** means the bid-side quotation obtained by the Calculation Agent from such leading dealer in the credit default swap market selected by the Calculation Agent in its sole and absolute discretion for a credit default swap in respect of the relevant entity with a credit protection period commencing on the date determined by the Calculation Agent to be the date of the relevant Succession Date and ending on the Maturity Date and with the Reference Obligation(s) specified in the Issue Terms or Alternative Reference Obligation(s), as applicable;

**"Spread Requirement"** means an entity that, as at the date of selection, has a Spread not greater than the Spread of the Reference Entity for which a Successor falls to be determined pursuant to this definition of "Successor", immediately prior to the relevant Succession Date as determined by the Calculation Agent in its sole and absolute discretion; and

**"Successor Associated Costs"** means an amount per nominal amount of the Notes (which may not be less than zero) equal to such Notes' *pro rata* share of the total amount of any and all costs and losses associated with or incurred by the Issuer and/or any Affiliate in connection with the Affected Reference Entity ceasing to be a Reference Entity, including, without limitation, any costs and losses associated with or incurred by the Issuer and/or any Affiliate in connection with unwinding, substituting, re-establishing and/or incurring any funding relating to the Notes and/or any hedge positions (including without limitation, any derivative transaction) relating to the Notes, and any related costs due to costs or losses being incurred prior to the maturity or settlement of the Notes, all as determined by the Calculation Agent in its sole discretion.

**"Successor Backstop Date"** means for purposes of any Successor determination determined by DC Resolution, the date that is ninety calendar days prior to the Successor Resolution Request Date otherwise, the date that is ninety calendar days prior to the earlier of (i) the date on which the Successor Notice is effective and (ii) in circumstances where (A) a Successor Resolution Request Date has occurred, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination and (C) the Successor Notice is delivered not more than fourteen calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to make a

## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Successor determination, the Successor Resolution Request Date. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Successor Notice"** means an irrevocable notice from the Calculation Agent to the Issuer that describes a succession (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred and pursuant to which one or more Successors to the Reference Entity can be determined.

A Successor Notice must contain a description in reasonable detail of the facts relevant to the determination to be made pursuant to paragraph (a) of the definition of Successor above.

**"Successor Resolution Request Date"** means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

**"Trade Date"** means the date specified as such in the Issue Terms.

**"Transaction Auction Settlement Terms"** means 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 Credit Linked 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). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in these Credit Linked Conditions principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the Credit Linked Notes.

**"Undeliverable Obligation"** means a Deliverable Obligation included in the Entitlement which, on the Credit 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, contractual restrictions, statutory restrictions or market conditions but excluding the non-receipt of any requisite consents with respect to the Delivery of Loans or non-delivery of an Asset Transfer Notice or any relevant information by a holder) it is impossible or illegal to Deliver on the Credit Settlement Date.

**"Underlying Obligation"** means, with respect to a guarantee, the obligation which is the subject of the guarantee.

**"Underlying Obligor"** means with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

**"Unwind Costs"** means the amount specified in the Issue Terms or if "Standard Unwind Costs" are specified in the Issue Terms, an amount determined by the Calculation Agent equal to the aggregate sum of (without duplication) all costs (including loss of funding), fees, charges, expenses, tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption or credit settlement of the Credit Linked Notes and the related termination, settlement or re-establishment of any Hedging Arrangements.

**"Valuation Date"** means if "Single Valuation Date" is specified in the Issue Terms and subject to Credit Linked Condition 10, the date that is the number of Business Days specified in the Issue Terms (or, if the number of Business Days is not so specified, five Business Days) following the Credit Event Determination Date (or if the Credit Event Determination Date occurs pursuant to paragraph (a)(ii) of the definition of Credit

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

Event Determination Date above or paragraph (b)(i) of the definition of Non-Standard Credit Event Determination Date, the day on which the DC Credit Event Announcement occurs) (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Method in accordance with paragraphs (b)(i) or (b)(ii) of Credit Linked Condition 2 (*Auction Settlement*) above, the date that is the number of Business Days specified in the Issue Terms or, if the number of Business Days is not so specified, five Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable), and if "Multiple Valuation Dates" is specified in the Issue Terms, each of the following dates:

- (a) subject to Credit Linked Condition 11, the date that is the number of Business Days specified in the Issue Terms (or, if the number of Business Days is not specified, five Business Days) following the Credit Event Determination Date (or if the Credit Event Determination Date occurs pursuant to paragraph (a) of the definition of Credit Event Determination Date above or paragraph (b)(i) of the definition of Non-Standard Credit Event Determination Date, the day on which the DC Credit Event Announcement occurs) (or if Cash Settlement is the applicable Fallback Settlement Method in accordance with paragraphs (b)(i) or (b)(ii) of Credit Linked Condition 2 (*Auction Settlement*) above, the date that is the number of Business Days specified in the Issue Terms (or, if the number of Business Days is not specified, five Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
- (b) each successive date that is the number of Business Days specified in the Issue Terms or, if the number of Business Days is not so specified, five Business Days after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the Issue Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the Issue Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the Issue Terms, Single Valuation Date shall apply.

### "Valuation Method":

- (a) The following Valuation Methods may be specified in the Issue Terms with 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.
- (b) If no such Valuation Method is specified in the Issue Terms, the Valuation Method shall be Highest.
- (c) The following Valuation Methods may be specified in the Issue Terms with 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.

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (d) If no such Valuation Method is specified in the Issue Terms, the Valuation Method shall be Average Highest.

Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Calculation Agent may at its option determine that the Valuation Method shall be Market or Average Market, as the case may be.

Where applicable, the Issue Terms may specify an alternative Valuation Method which shall be applicable in respect of the relevant Credit Linked Notes.

**"Valuation Time"** means the time specified as such in the Issue Terms or, if no time is so specified, 11.00 a.m. in the principal trading market for the Reference Obligation.

**"Voting Shares"** means the shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**"Weighted Average Quotation"** means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but, of a size at least equal to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

**"Zero/Set Recovery Notes"** means Notes in respect of which the applicable Settlement Method in the Issue Terms is specified as "Not applicable: "Zero/Set Recovery Notes".

**14. Credit Event Notice after Restructuring Credit Event**

If this Credit Linked Condition 14 is specified as applicable in the Issue Terms, then, notwithstanding anything to the contrary in these Terms and Conditions, upon the occurrence of an M(M)R:

- (a) The Calculation Agent may deliver multiple Credit Event Notices in respect of such M(M)R Restructuring, each such Credit Event Notice setting forth an amount of the relevant Reference Entity Notional Amount to which such Restructuring Credit Event applies (the **"Partial Redemption Amount"**) that may be less than the aggregate Nominal Amount of those Credit Linked Notes outstanding immediately prior to the delivery of such Credit Event Notice. In such circumstances the Credit Linked Conditions and related provisions shall be deemed to apply to the Partial Redemption Amount only and each such Credit Linked Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (A) the nominal amount of each Credit Linked Note not so redeemed in part shall remain outstanding and interest shall accrue on the nominal amount outstanding of such Credit Linked Note as provided in General Condition 4 (adjusted in such manner as the Calculation Agent determines to be appropriate), (B) the Credit Linked Conditions and related provisions shall apply to such nominal amount outstanding of such Credit Linked 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 and (C) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable or deliverable to Noteholders under the relevant Series, the Calculation Agent will (x) determine such adjustment(s) to these Terms and Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Credit Linked Condition 14 and (y) the effective date of such adjustment(s).
- (c) If the provisions of this Credit Linked Condition 14(c) apply in respect of the Credit Linked Notes, on redemption of part of each such Credit Linked Note the relevant Credit Linked Note or, if the Credit

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Linked Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.

- (d) In addition, in the case of First-to-Default Credit Linked Notes:

Once a Credit Event Determination Date has occurred in respect of the First Reference Entity, where the Credit Event is a Restructuring Credit Event, no further Credit Event Notices may be delivered in respect of any other Reference Entity.

- (e) In addition, in the case of Nth-to-Default Credit Linked Notes:

Once a Credit Event Determination Date has occurred in respect of the Triggering Reference Entity, where the Credit event is a Restructuring Credit Event, no further Credit Event Notices may be delivered in respect of any other Reference Entity.

- (f) In addition, in the case of Linear Credit Basket Credit Linked Notes:

Once a Credit Event Determination Date has occurred in respect of a Reference Entity in the Basket, where the Credit Event is a Restructuring Credit Event, no further Credit Event Notices may be delivered in respect of such Reference Entity.

**15. Provisions relating to Multiple Holder Obligation**

If this Credit Linked Condition 15 is specified as applicable in the Issue Terms, then, 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**" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

"**Multiple Holder Obligation**" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) is (A) a Bond and/or (B) an Obligation 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.

**16. Provisions taken from the ISDA supplement titled "Additional Provisions – Monoline Insurer as Reference Entity (January 2005)"**

If this Credit Linked Condition 16 is specified as applicable in the Issue Terms, the following provisions will apply:

- (a) *Obligation and Deliverable Obligation.* Paragraph (a) of the definition of "Obligation" in Credit Linked Condition 13 and paragraph (a) of the definition of "Deliverable Obligation" in Credit Linked Condition 13 are hereby amended by adding "or Qualifying Policy" after "as provider of a Qualifying Affiliate Guarantee".
- (b) *Interpretation of Provisions.* In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, paragraph (ii) of the definition of "Deliverable Obligation" in Credit Linked Condition 13 will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:
- (i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms "**obligation**" and "**obligor**" as used in these Credit Linked Conditions in respect of such an Insured Instrument shall be construed accordingly;

- (ii) references in the definitions of Assignable Loan and Consent Required Loan to the "**guarantor**" and "**guaranteeing**" shall be deemed to include the "**insurer**" and "**insuring**", respectively;
  - (iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the Issue Terms;
  - (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the Issue Terms and if the benefit of the "Qualifying Policy" is not transferred as part of any transfer of the Insured Instrument, the "Qualifying Policy" must be transferable at least to the same extent as the Insured Instrument; and
  - (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "Outstanding Principal Balance" shall mean the outstanding Certificate Balance and "maturity", as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the "Qualifying Policy" guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- (c) *Deliver.* For the purposes of the definition of "Deliver" in Credit Linked Condition 13, "**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.
- (d) *Provisions for Determining a Successor.* The paragraph commencing "For the purposes of this definition of "Successor"..." in the definition of "Successor" in Credit Linked Condition 13 is hereby amended by adding "or insurer" after "or guarantor".
- (e) Restructuring
- (i) With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, paragraphs (a) to (e) inclusive of the definition of "Restructuring" in Credit Linked Condition 13 are hereby amended to read as follows:
    - "(i) a reduction in the rate or amount of 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

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

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 (other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro as a whole))."

(ii) Paragraph (c) of the definition of "Restructuring" in Credit Linked Condition 13 is hereby amended by adding "or, in the case of a Qualifying Policy and an Insured Instrument, where (A) the "Qualifying Policy" continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the "Qualifying Policy" guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the "Qualifying Policy" after "Reference Entity".

(iii) The definition of "Restructuring" in Credit Linked Condition 13 is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

"For purposes of this definition of "Restructuring" in and if Credit Linked Condition 15 is specified as applying in the Issue Terms, for the purposes of the Credit Linked Conditions 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 this 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 this definition of "Restructuring" shall continue to refer to the Reference Entity."

(f) *Fully Transferable Obligation and Conditionally Transferable Obligation.* In the event that M(M)R Restructuring is specified as applicable in the Issue Terms and a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition. References in the definition of "Conditionally Transferable Obligation" to the "guarantor" and "guaranteeing" shall be deemed to include "the insurer" and "insuring" respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "final maturity date", as such term is used in Credit Linked Condition 4 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.

(g) *Other Provisions.* For purposes of paragraph (a) of the definition of "Deliverable Obligation" and the definitions of "Credit Event" and "Deliver" in Credit Linked Condition 13 references to the "Underlying Obligation" and the "Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.

(h) Additional Definitions.

(i) **"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



## **ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

forth in this Credit Linked Condition 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).

- (ii) "**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) 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").
- (iii) "**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 Notices**

Any notice to be delivered by the Calculation Agent to the Issuer pursuant to these Credit Linked Conditions may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice will be effective when given, regardless of the form in which it is delivered. 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.

For the purposes of determining the day on which an event occurs for purposes of these Credit Linked Conditions, the Calculation Agent will determine the demarcation of days by reference to Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time) irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.

In addition, if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time), irrespective of the time zone of its place of payment.

### **18. Provisions taken from the ISDA supplement titled "Additional Provisions for LPN Reference Entities" (published on 3rd October, 2006)**

- (a) If this Credit Linked Condition 18 is specified as applicable in the Issue Terms, notwithstanding anything to the contrary in the Credit Linked Conditions, the following provisions will apply: provisions relating to Multiple Holder Obligation will be deemed to be Not Applicable with respect to any Reference Obligation (and any Underlying Loan);
- (b) each Reference Obligation will be an Obligation, notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to the definition of "Obligation" in Credit Linked Condition 13, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity;

**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)**

- (c) each Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to the definition of "Deliverable Obligation" in Credit Linked Condition 13 and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity.

For the avoidance of doubt with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation.

The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic shall be construed by reference to the Prior Reference Obligation;

- (d) the definition of Reference Obligation shall be deleted and the following substituted therefor:

**"Reference Obligation"** means, as of the Trade Date, each of the obligations listed as a Reference Obligation of the Reference Entity in the Issue Terms or set forth on the relevant LPN Reference Obligations List (each a **"Markit Published LPN Reference Obligation"**), as published by Markit Group Limited, or any successor thereto, as of the Trade Date, any Additional LPN and each Additional Obligation."; and

- (e) the following additional definitions shall apply:

**"Additional LPN"** means any bond issued in the form of a loan participation note (a **"LPN"**) by an entity (the **"LPN Issuer"**) for the sole purpose of providing funds for the LPN Issuer to (a) finance a loan to the Reference Entity (the **"Underlying Loan"**) or (b) provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the **"Underlying Finance Instrument"**), provided that (i) either (x) in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity or (y) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics (ii) the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Specified Currency – Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and (iii) the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs.

**"Additional Obligation"** means each of the obligations listed as an Additional Obligation of the Reference Entity in the Issue Terms or set forth on the relevant LPN Reference Obligations List (each a **"Markit Published LPN Reference Obligation"**), as published by Markit Group Limited, or any successor thereto, as of the Trade Date.

**"First Ranking Interest"** means a charge, security interest (or other type of interest having similar effect) (an **"Interest"**), which is expressed as being "first ranking", "first priority", or similar (**"First Ranking"**) in the document creating such Interest (notwithstanding that such Interest may not be First Ranking under any insolvency laws of any related insolvency jurisdiction of the LPN Issuer).

**"LPN Reference Obligation"** means each Reference Obligation other than any Additional Obligation.

For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation constituting a Reference Obligation.

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

Each LPN Reference Obligation is issued for the sole purpose of providing funds for the Issuer to finance a loan to the Reference Entity. For the purposes of the Credit Linked Conditions each such loan shall be an Underlying Loan.

### 19. Amendment of Credit Linked Conditions

The Calculation Agent may from time to time amend any provision of these Credit Linked Conditions (i) to incorporate and/or reflect (x) further or alternative documents or protocols from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or (b) the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees and/or (ii) in any manner which the Calculation Agent determines in a commercially reasonable manner is necessary or desirable to reflect or account for market practice for credit derivative transactions and/or reflect or account for a Hedge Disruption Event. Any amendment made in accordance with this Credit Linked Condition 19 shall be notified to the Noteholders in accordance with General Condition 12.

### 20. Physical Settlement Matrix

If Physical Settlement Matrix is specified as applicable in the Issue Terms, the provisions specified as applicable and, if applicable, as amended in each case as set out below, in respect of the applicable Transaction Type(s) set out in the Credit Derivatives Physical Settlement Matrix as published by the International Swaps and Derivatives Association, Inc. on the Date of the Physical Settlement Matrix specified in the Issue Terms or, if no such date is specified, on the most recent date on or prior to the Issue Date of the first Tranche (the "ISDA Physical Settlement Matrix") shall apply and the relevant provisions of the Issue Terms shall be deemed to be completed on this basis and the corresponding line items in the Issue Terms may be deleted or reference to 'As per the Physical Settlement Matrix' may be inserted. For the avoidance of doubt, the provisions of the ISDA Physical Settlement Matrix that are not set out below and specified to be applicable shall not apply and no amendment shall be made to the Issue Terms in respect thereof.

Provision	Applicable/Not Applicable	Amendments to ISDA Physical Settlement Matrix
All Guarantees	Applicable	None
Credit Events	Applicable	References to "Floating Rate Payer Calculation Amount" shall be deemed to be references to "the relevant Reference Entity Notional Amount".
Obligation Category	Applicable	None
Obligation Characteristics	Applicable	None
Physical Settlement Period	Applicable	References to "Section 8.6 of the Definitions" shall be deemed to be references to "the definition of Physical Settlement Period in Credit Linked Condition 13".
Deliverable Obligation Category	Applicable	None
Deliverable Obligation Characteristics	Applicable	None
Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity (21	Applicable	(a) The reference to "Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity (21 January 2005)" shall be deemed to be a reference to

## ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES (2014 ISDA CREDIT DERIVATIVES DEFINITIONS VERSION)

Provision	Applicable/Not Applicable	Amendments to ISDA Physical Settlement Matrix
January 2005)		"Credit Linked Condition 16 – <i>Provisions taken from the ISDA supplement titled "Additional Provisions – Monoline Insurer as Reference Entity (January 2005)"</i> ; and
		(b) the reference to "the relevant Confirmation" shall be deemed to be a reference to "the applicable Issue Terms".
Additional Provisions for LPN Reference Entities (3 October 2006)	Applicable	References to "Additional Provisions for LPN Reference Entities (3 October 2006)" shall be deemed to be references to Credit Linked Condition 18 ( <i>Provisions taken from the ISDA supplement titled "Additional Provisions for LPN Reference Entities" (published on 3 October 2006)</i> ).

### 21. Early redemption of Reference Obligation Only Notes following a Substitution Event

If the Notes are Reference Obligation Only Notes relating to a single Reference Entity and the event set out in paragraph (a) of the definition of Substitution Event above occurs with respect to the Reference Obligation, then:

- (a) interest (if any) shall cease to accrue on the Credit Linked Notes from and including the Interest Payment Date immediately preceding the relevant Substitution Event Date or, if no Interest Payment Date has occurred, no interest will accrue on the Credit Linked Notes; and
- (b) each Credit Linked Note will be redeemed by the Issuer at its relevant Reference Obligation Only Termination Amount specified in, or determined in the manner specified in, the Issue Terms in the Specified Currency on the Maturity Date, which for the purposes of this Credit Linked Condition 21 shall be the day falling five Business Days following the relevant Substitution Event Date.

### 22. DC Resolution Adjustment Events

If following the publication of a DC Resolution (the "**Prior DC Resolution**"), a further DC Resolution (the relevant "**Further DC Resolution**") is published the effect of which would be to reverse all or part of the Prior DC Resolution or if any DC Resolution would reverse any determination made by the Calculation Agent and/or the occurrence of a Credit Event Determination Date, notwithstanding any other provisions of these Credit Linked Conditions the Calculation Agent may, in its sole and absolute discretion, make any adjustment(s) that the Calculation Agent determines is necessary or desirable to the General Conditions or these Credit Linked Conditions to reflect the publication of such Further DC Resolution or DC Resolution, including, without limitation, as a result of the impact or effect of such Further DC Resolution or DC Resolution on the Issuer's Hedging Arrangements.

## FORM OF NOTES

### FORM OF NOTES

#### Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary bearer global note (a "**Temporary Bearer Global Note**") or a permanent global note (a "**Permanent Bearer Global Note**" and, together with a Temporary Bearer Global Note, each a "**Bearer Global Note**") as indicated in the Issue Terms, which, in either case, will (i) if the Global Notes are intended to be issued in new global note ("NGN") form, as stated in the Issue Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or (ii) if the Global Notes are not intended to be issued in NGN form, as stated in the Issue Terms, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Issue Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held means that the Notes of a particular Tranche are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, coupons and talons attached (as indicated in the Issue Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the Issue Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The Issue Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (1) an Event of Default (as

## FORM OF NOTES

defined in General Condition 8) has occurred and is continuing, (2) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (3) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with General Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Issuer, as the case may be, may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent. If the Global Note is a NGN, the relevant Issuer shall procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system.

In the event that the Permanent Bearer Global Note is exchanged for definitive Bearer Notes, such definitive Bearer Notes shall be issued in the minimum Specified Denomination only. Other than in limited circumstances, the 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). Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of the Specified Denomination may need to purchase or sell, on or before the Exchange Date, a nominal amount of Notes such that their holding is an integral multiple of the Specified Denomination.

The following legend will appear on all Permanent Bearer Global Notes and definitive Bearer Notes (other than Temporary Global Notes), and interest coupons relating to such Notes where TEFRA D is specified in the Issue Terms:

**"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."**

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

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### Book Entry Notes

The Book Entry Notes are issued in dematerialised book entry form ("*forma escritural*") and can be either "*nominativas*" (in which case Interbolsa, at the Issuer's request, can ask the Affiliated Members information regarding the identity of the Noteholders and transmit such information to the Issuer) or "*ao portador*" (in which case Interbolsa cannot inform the Issuer of the identity of the Noteholders). The Book Entry Notes are issued in any specified denomination provided that in the case of any Book Entry Notes which are to be admitted to trading on a regulated market within the European Economic Union or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be as indicated in the applicable Issue Terms.

The Book Entry Notes will be registered by Interbolsa as management entity of Central de Valores Mobiliários.

Where the Notes issued in respect of any Tranche are in book entry form and registered with Interbolsa in its capacity as a securities settlement system, the Notes may be held in a manner which would allow Eurosystem eligibility. Any indication that the Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria.

## FORM OF NOTES

Book Entry Notes will only be tradable in one Specified Denomination.

As of the date of this Base Prospectus, the Book Entry Notes may only be issued in Euro, U.S. dollars, Sterling, Japanese yen, Swiss francs, Australian dollars and Canadian dollars.

Each person shown in the individual securities accounts held with an Affiliated Member of Interbolsa as having an interest in the Notes shall be considered the holder of the principal amount of Notes recorded. One or more certificates in relation to the Notes (each a "**Certificate**") will be delivered by the relevant Affiliated Member of Interbolsa in respect of its registered holding of Notes upon the request by the relevant holder of Book Entry Notes and in accordance with that Affiliated Member's procedures and pursuant to article 78 of the Portuguese Securities Code ("*Código dos Valores Mobiliários*").

Any holder of Book Entry Notes will (except as otherwise required by law) be treated as its absolute owner for all purposes regardless of the theft or loss of, the Certificate issued in respect of it and no person will be liable for so treating any holder of Book Entry Notes.

### General

Pursuant to the Agency Terms (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, voting, giving consents or making requests, for which purpose the bearer of the relevant Bearer Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Except in relation to Notes issued in NGN form, any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the Issue Terms or as may otherwise be approved by the Issuer and the Principal Paying Agent. A Note may be accelerated by the holder thereof in certain circumstances described in General Condition 8. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note within a period of 15 days from the giving of a notice by a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented and credited to its securities account that it wishes to accelerate such Notes, then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg on and subject to the terms of a deed of covenant the form of which is set out in the Agency Terms (the "**Deed of Covenant**").

## FORM OF FINAL TERMS

### FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

[Date]

### FINAL TERMS

**BANCO COMERCIAL PORTUGUÊS, S.A.**  
(a company with limited liability incorporated under Portuguese law)  
(as "**Issuer**")

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "**Notes**")

under the €2,000,000,000  
Structured Medium Term Note Programme

[These Notes are not intended for, and are not to be offered to, the public in any jurisdiction of the EEA]<sup>7</sup>

Any person making or intending to make an offer of the Notes may only do so[:

- (i) in those Non-exempt Offer Jurisdictions mentioned in Paragraph 9.6 of Part B below, provided such person is of a kind specified in that paragraph and that the offer is made during the Offer Period specified in that paragraph; or
- (ii) otherwise,<sup>8</sup> in circumstances in which no obligation arises for the Issuer or the Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

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

### PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the General Conditions of the Notes (and, together with the applicable Annex(es), the "**Conditions**") set forth in the Base Prospectus dated 3 March 2017 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [An issue specific summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms]<sup>9</sup>. The Base Prospectus has been published on the websites of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland (<http://www.centralbank.ie>).

<sup>10</sup>Terms used herein shall be deemed to be defined as such for the purposes of the General Conditions of the Notes (and, together with the applicable Annex(es), the "**Conditions**") set forth in the Base Prospectus dated [original date] which are incorporated by reference in the Base Prospectus dated [current date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in

<sup>7</sup> Insert where no public offer (in accordance with the Prospectus Directive) is intended.

<sup>8</sup> Delete where no public offer (in accordance with the Prospectus Directive) is intended

<sup>9</sup> Include this wording if the Specified Denomination is less than €100,000 (or its equivalent in another currency).

<sup>10</sup> The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.



## FORM OF FINAL TERMS

conjunction with the Base Prospectus dated [*current date*] [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. A summary of the Notes (which comprises the summary in the Base Prospectus as completed to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus has been published on the websites of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland (<http://www.centralbank.ie>).

[Investors should note that if a supplement to or an updated version of the Base Prospectus is published at any time during the Offer Period (as defined below), such supplement or updated Base Prospectus as the case may be, will be published and made available in accordance with the arrangements applied to the original publication of these Final Terms. Any investors who have indicated acceptances of the Offer (as defined below) prior to the date of approval of such supplement or updated version of the Base Prospectus, as the case may be (the "**Approval Date**"), have the right within two working days of the Approval Date to withdraw their acceptances.]<sup>11</sup>

[The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States, and the Notes may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person. Furthermore, the Notes do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the U.S. Commodity Exchange Act, as amended (the "**CEA**"), and trading in the Notes has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA, and no U.S. person may at any time trade or maintain a position in the Notes. For a description of the restrictions on offers and sales of the Notes, see "*Subscription and Sale*" in the Base Prospectus.

As used herein, "**U.S. person**" includes any "**U.S. person**" or person that is not a "**non-United States person**" as either such term may be defined in Regulation S or in regulations adopted under the CEA.]<sup>12</sup>

[These Final Terms may be considered structured products in Switzerland. They are not collective investment schemes within the meaning of the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). Accordingly, they are not subject to the supervision of the Swiss Financial Market Supervisory Authority, FINMA. [The Notes are not being distributed to non-qualified investors in or from Switzerland and neither these Final Terms nor any offering materials relating to the Notes may be available to non-qualified investors in or from Switzerland. Distribution of the Notes of these Final Terms in or from Switzerland is only made by way of private placement to, and is directed exclusively at, qualified investors (as defined in the CISA and its implementing ordinance). Each copy of these Final Terms is addressed to a specifically named recipient and shall not be passed on to a third party.]<sup>13</sup><sup>14</sup>

*Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms. Where the context so permits, Terms in these Final Terms may be attributed a numerical or letter suffix value when included hereon. Without limitation, the suffix can be denoted as "j", "k", "m", "q", "n", "t" or "i" and the term may be completed on the basis of the number or numbers represented by j, k, m, q, n, t or i, as chosen at the time of an issue of Notes. When applicable and in order to improve the reading and intelligibility of the formula(e) in the Final Terms, the applicable suffixes may be included, completed and explained and may be presented as a table, if necessary, in the Final Terms.*

1. (a) Issuer: Banco Comercial Português, S.A.

<sup>11</sup> Include in respect of issues of Notes for which the offer period spans a supplement to the Base Prospectus or an update to the Base Prospectus.

<sup>12</sup> Include for Restricted Notes or Notes that have been determined to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States or to a U.S. person.

<sup>13</sup> Delete where offer intended to non-qualified investors in or from Switzerland.

<sup>14</sup> Delete where no offer into Switzerland is intended.

## FORM OF FINAL TERMS

- (b) [Principal Paying Agent][Portuguese Paying Agent]: [Banco Comercial Português, S.A.][*specify name*]
- (c) Calculation Agent: [Banco Comercial Português, S.A.][*specify name*]
2. (a) Series Number: [*specify*]
- (b) Tranche Number: [*specify*]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date][the date that is 40 days after the Issue Date][exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 45 below, which is expected to occur on or about [*date*]][Not applicable]
- (d) Applicable Annex(es): [Not applicable]  
 [Annex 1: Additional Terms and Conditions for Payouts]  
 [Annex 2: Additional Terms and Conditions for Index Linked Notes]  
 [Annex 3: Additional Terms and Conditions for Equity Linked Notes]  
 [Annex 4: Additional Terms and Conditions for Inflation Linked Notes]  
 [Annex 5: Additional Terms and Conditions for Fund Linked Notes]  
 [Annex 6: Additional Terms and Conditions for Foreign Exchange (FX) Rate Linked Notes]  
 [Annex 7: Additional Terms and Conditions for Credit Linked Notes]
- (*More than one Annex may apply*)
3. Specified Notes Currency or Currencies: [*specify*] [(the "**SER Subject Currency**") for the purpose of the Specified Denomination and calculations [and payments other than those to which the Settlement Exchange Rate Provisions are specified to apply;] and (payments [to which the Settlement Exchange Rate Provisions are specified to apply] shall be made in [*specify*] (the "**Settlement Currency**"))]
4. Aggregate Nominal Amount:
- (a) Series: [*specify*]
- [The Notes are Partly Paid Notes and [(*For Partly Paid Notes, specify the dates and amounts for the payment of aggregate nominal amount*))]
- (b) Tranche: [*specify*]
5. Issue Price: [*specify*] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]

## FORM OF FINAL TERMS

[converted into the Settlement Currency at the Initial SER, being *[specify amount]* in respect of the Aggregate Nominal Amount where "**Initial SER**" means *[specify]*]

6. (a) Specified Denomination(s): *[specify]*
- (b) Minimum Tradable Amount: *[specify]*[Not applicable]

*(If the Specified Denomination is less than €100,000 the Notes must have a Minimum Tradable Amount of €100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

- (c) Calculation Amount (in relation to calculation of interest in global form see Conditions): *[specify]**[(Insert the following in the case of Instalment Notes): (the "**Original Calculation Amount**") minus, for the purposes of any calculation by reference to the Calculation Amount on any day, the sum of the Instalment Amounts paid prior to the relevant day [save for the purposes of calculation of any [Interest Amount][Final Redemption Amount][Early Redemption Amount][Automatic Early Redemption Amount][Optional Redemption Amount][Entitlement Amount] [[payable][deliverable] on *[specify]*] for which purposes the Original Calculation Amount will continue to apply.]*

*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (a) Issue Date: *[specify]*
- (b) Interest Commencement Date: *[specify]*[Issue Date][Not applicable]

*(An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

8. Maturity Date: [The Interest Payment Date falling on or nearest to] *[specify]**[or if that is not a Business Day the immediately [succeeding][preceding] Business Day [unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day] [(the "**Scheduled Maturity Date**")]* [or such [later] date for redemption determined as provided in the [[Fund Linked][Credit Linked Conditions][or, in all circumstances if applicable, such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6.]

9. Interest Basis: *[[specify] [per cent.] [per annum] Fixed Rate]*  
*[[LIBOR][EURIBOR][specify CMS Rate][specify] +/- [specify] per cent.] Floating Rate]*  
*[Specified Interest Amount]*

## FORM OF FINAL TERMS

[Zero Coupon]

[Reference Item Linked Interest:

*(specify one or more of the following)*

[Index Linked Interest]

[Equity Linked Interest]

[Inflation Linked Interest]

[Reference Item Rate Linked Interest]

[Fund Linked Interest]

[Foreign Exchange (FX) Rate Linked Interest]

[Combination Interest]]

[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]] [only in the specific circumstance set out in the Interest Rate Payout Formula]]

*(See paragraph 16 below)*

[Not applicable]

### 10. Redemption basis:

[Redemption at [par][specify][see paragraph 28 (Final Redemption Amount:) below]

[Index Linked Redemption]

[Equity Linked Redemption]

[Inflation Linked Redemption]

[Reference Item Rate Linked Redemption]

[Fund Linked Redemption]

[Credit Linked Redemption]

[Foreign Exchange (FX) Rate Linked Redemption]

[Combination Redemption]

[Instalment]

[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate] [only in the specific circumstances set out in the Final Payout Formula] *(see paragraph 13 below)* [subject to Variation of Settlement, *(see paragraph 45 below)*

*(If the Final Redemption Amount is other than 100 per cent. of the nominal value on Issue the Notes may be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

### 11. Reference Item(s):

[The following Reference Item(s)[(k)] [(from [k] = 1 to [[k][specify]])] will apply [for [Interest][and][Redemption] determination purposes:][Not applicable]

[For [k]=1][specify][insert description]] [(see paragraph [specify])]

*(Repeat if necessary)*

[and]

[The following Reference Item(s)[(k)] [(from [k] = [specify] to [k] = [specify])] will apply [for [Redemption]

## FORM OF FINAL TERMS

determination purposes]:

[For [k]=[specify]][specify][insert description][*(see paragraph [specify])*]

*(Repeat if necessary)*

### 12. Put/Call Options:

[Not applicable]

[Noteholder Put Option]

[Issuer Call Option]

[*(see paragraph[s] [31][32] below)*]

### 13. Settlement Exchange Rate Provisions:

[Not applicable][Applicable [in respect of][all payments] payments of [Interest][Principal] only][only those payments to which the Settlement Exchange Rate Provisions are specified to apply.]

[*(see paragraph[s] [specify] below)*]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

#### (i) Settlement Exchange Rate:

[Specify rate] [As per Payout Condition 6]

*(if a rate is specified then delete the remaining subparagraphs of this paragraph).*

#### (ii) SER Valuation Date(s):

[specify] [[specify] SER Scheduled Trading Days prior to the [scheduled] [specify each payment date]]

*(where different SER Valuation Dates apply to different payment dates, specify in respect of each applicable payment date)*

#### (iii) Provisions applicable to determining the Settlement Exchange Rate:

For the purpose of the definition of Settlement Exchange Rate in Payout Condition 6:

SER Price Source: [specify]

SER Valuation Time: [specify]

SER Scheduled Trading Day Jurisdiction: [specify]

#### (iv) SER Disruption Events:

[Price Source Disruption]

[Illiquidity Disruption]

[Dual Exchange Rate]

[General Inconvertibility]

[General Non-Transferability]

[Material Change in Circumstance]

## FORM OF FINAL TERMS

[Nationalisation]

[Price Materiality, where:

SER Price Materiality Percentage: *[specify]* [3]  
per cent.

SER Primary Rate: *[specify]* [The rate determined  
as set out in the definition of Settlement  
Exchange Rate]

SER Secondary Rate: *[specify]* [SER First  
Fallback Reference Price [and]] [SER Second  
Fallback Reference Price]

- (v) SER Disruption Fallbacks (for Price Source Disruption and Price Materiality only): The following Disruption Fallbacks apply in the following order:

[Valuation Postponement]

SER Number of Postponement Settlement Days:  
[[Two]*[specify]*] [Business Days] [SER Settlement Days]  
*[specify]*

SER Maximum Days of Postponement: *[specify]*  
[First Fallback Reference Price, where:

SER First Fallback Price Source: *[specify]*

SER First Fallback Valuation Time: *[specify]*

SER First Fallback Number of Settlement Days:  
*[specify]*

[Second Fallback Reference Price, where:

SER Second Fallback Price Source: *[specify]*

SER Second Fallback Valuation Time: *[specify]*

SER Second Fallback Number of Settlement  
Days: *[specify]*

[Calculation Agent Determination] (*specify fallbacks  
required and arrange order in which to be applied*)

- (vi) SER Cumulative Events: [Not applicable] [Applicable and Maximum Cumulative Days of Postponement means *[specify]*]

- (vii) SER Number of Settlement Days: [Two] [Zero] *[specify other]* [where SER Settlement Day Centre(s) means *[specify]*]

- (viii) SER Additional Disruption Event: (*Specify each of the following which applies*) [Change in Law] [Hedging Disruption] [Increased Cost of Hedging]

[Trade Date means *[specify]*]

14. Knock-in Event: [Not applicable] [Applicable: Knock-in Value [in respect of [a/the] Knock-in Determination Day] is [greater

## FORM OF FINAL TERMS

than][greater than or equal to][less than][less than or equal to] the Knock-in[Level][Price][within][outside] the Knock-in Range] *(Only applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-in Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph)*

[The Reference Item Rate [1][2] is [greater][less] than [or equal to] the Knock-in Level]

*(Insert for Reference Item Linked Notes)*

- (i) Knock-in Value: *[insert definition from Payout Condition 5.2]*
- (ii) Knock-in Level/Knock-in Price: *[specify value or percentage]*
- (iii) Knock-in Range: From and [including][excluding] *[specify range of values, percentages, level, or prices etc]* to and [including][excluding] *[specify range of values, percentages, level, or prices etc]* [Not applicable]
- (iv) Knock-in Determination Day(s): *[specify]* [Each Scheduled Trading Day in the Knock-in Determination Period][Not applicable]  
  
[In the event that a Knock-in Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply.]
- (v) Knock-in Determination Period: *[specify]* [Not applicable]
- (vi) Knock-in Period Beginning Date: *[specify]* [Not applicable]
- (vii) Knock-in Period Beginning Date Scheduled Trading Day Convention: [Applicable][Not applicable]
- (viii) Knock-in Period Ending Date: *[specify]* [Not applicable]
- (ix) Knock-in Period Ending Date Scheduled Trading Day Convention: [Applicable][Not applicable]
- (x) Knock-in Valuation Time: *[specify]* [Scheduled Closing Time][Any time on a Knock-in Determination Day][Not applicable]

- 15.** Knock-out Event: [Not applicable][Applicable: The Knock-out Value [in respect of [a/the] Knock-out Determination Day] is [greater than][greater than or equal to][less than][less than or equal to] the Knock-out [Level][Price] [within][outside] the Knock-out Range]

*(Only applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-out Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph)*

## FORM OF FINAL TERMS

[The Reference Item Rate [1][2] is [greater][less] than [or equal to] the Knock-out Level]

*(Insert for Reference Item Linked Notes)*

- (i) Knock-out Value: *[insert definition from Payout Condition 5.2]*
- (ii) Knock-out Level/Knock-out Price: *[specify value or percentage]*
- (iii) Knock-out Range: From and [including][excluding] *[specify range of values, percentages, level, or prices etc]* to and [including][excluding] *[specify range of values, percentages, level, or prices etc]* [Not applicable]
- (iv) Knock-out Determination Day(s): [[From and including][From and excluding][To and including][To but excluding][*specify*]]
- [specify][Each Scheduled Trading Day in the Knock-out Determination Period][Not applicable]*
- [In the event that a Knock-out Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply.]*
- (v) Knock-out Determination Period: *[specify][Not applicable]*
- (vi) Knock-out Period Beginning Date: *[specify][Not applicable]*
- (vii) Knock-out Period Ending Date: *[specify][Not applicable]*
- (viii) Knock-out Period Beginning Date Scheduled Trading Day Convention: [Applicable][Not applicable]
- (ix) Knock-out Period Ending Date Scheduled Trading Day Convention: [Applicable][Not applicable]
- (x) Knock-out Valuation Time: *[specify][Scheduled Closing Time][Any time on a Knock out Determination Day][Not applicable]*

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

**16. Interest:** [Applicable][Not applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Period End Date(s): *[specify][General Condition 3(b)(i)(ii) applies][Not applicable]*
- (ii) Business Day Convention for Interest Period End Date(s): [Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention][Floating Rate Convention][Not applicable]

*(if unadjusted specify not applicable. If adjusted specify*



## FORM OF FINAL TERMS

- same Business Day Convention as for Interest Payment Dates)*
- (iii) Interest Payment Date(s): *[specify]* [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions].
- (iv) Business Day Convention for Interest Payment Date(s): [Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention][Floating Rate Convention][Not applicable]
- (If a Business Day Convention is specified for Interest Period End Date(s), unless Interest Payment Date(s) is (are) expressed to be a number of Business Days after the relevant Interest Period End Final Date, Interest Payment Date(s) must be subject to the same Business Day Convention)*
- (v) Minimum Interest Rate: *[[specify][per cent.][per annum]][Not applicable]*
- (If a Minimum Interest Rate applies for each Interest Period, the Minimum Interest Rate shall be specified separately for each Interest Period)*
- (vi) Maximum Interest Rate: *[[specify][per cent.][per annum]][Not applicable]*
- (If a Maximum Interest Rate applies for each Interest Period, the Maximum Interest Rate shall be specified separately for each Interest Period.)*
- (vii) Day Count Fraction: [30/360][Actual/Actual [(ICMA)][(ISDA)]] [Actual/365 [(Fixed)][(Sterling)]] [Actual/360] [30/360/] [360/360] [Bond Basis] [30E/360 [(ISDA)]] [Eurobond Basis] [1/1] [1] [Not applicable]
- (Where Actual/Actual ICMA is applicable, insert Determination Date(s) below)*
- (Repeat for each Interest Basis as necessary)*
- (viii) Determination Date(s): *[[specify][in each year]][Not applicable]*
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- (ix) Rate of Interest: [In respect of each Interest Payment Date [(from [specify] to [specify])][falling [on][during the period from and including] [specify] [to and including [specify]] only]][Not applicable]]the Rate of Interest shall be determined by the Calculation Agent [as][in accordance with the following formula(s)]:

## FORM OF FINAL TERMS

*(The above formulation may be repeated as necessary for each relevant interest type below)*

[Fixed Rate]

[Floating Rate]

*(In respect of the following, insert formula, relevant value(s) and other related definitions from Payout Condition 2.1 and relevant definitions from Payout Condition 5)*

[Rate of Interest (i)]

[Rate of Interest (ii)]

[Rate of Interest (iii)]

[Rate of Interest (iv)]

[Rate of Interest (v)]

[Rate of Interest (vi)]

[Rate of Interest (vii)]

[Rate of Interest (viii)]

[Rate of Interest (ix)]

[Rate of Interest (x) – Range Accrual]

[Rate of Interest (xi) – Digital One Barrier]

[Rate of Interest (xii) – Strike Podium n Barriers]

[Rate of Interest (xiii) – Ramses]

[Rate of Interest (xiv) – Mozart]

[Rate of Interest (xv) – Mozart Variable]

[Rate of Interest (xvi) – Call with Individual Caps]

[Rate of Interest (xvii) – Cappuccino]

[Rate of Interest (xviii) – Best Replace]

[Rate of Interest (xix) – Cliquet]

[Rate of Interest (xx) – Cliquet Digital]

[Rate of Interest (xxi) – Cliquet Digital Lock in]

[Rate of Interest (xxii) – Digital Coupon One Condition Condition]

[Rate of Interest (xxiii) – Digital Coupon Two Conditions]

[Rate of Interest (xxiv) – TARN]

[Rate of Interest (xxv) – Ratchet]

[Rate of Interest (xxvi) – Multiplier]

[Rate of Interest (xxvii) – Barrier Count Condition]

[Rate of Interest (xxviii) – Podium]

[Rate of Interest (xxix) – Compensation]

[Rate of Interest (xxx) – Dual Currency Digital Coupon]

[Rate of Interest (xxxi) – Lock-in Coupon Barrier]

*(If the Rate of Interest is calculated by reference to Reference Items, Valuation Dates, Observation Dates etc. or is otherwise calculated differently in respect of each Interest Payment Date, above options may be repeated and numerical suffixes may be used to clarify which Reference Item, Rate of Interest, Valuation Date, Observation Date etc. applies in respect of the corresponding Interest Payment Date)*

[Not applicable] *(insert for Specified Interest Amount Notes)*

## FORM OF FINAL TERMS

### 17. Fixed Rate Note Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify]] only]] [Not applicable]

*(In respect of Credit Linked Notes) [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]*

*(If more than one fixed rate is to be determined repeat items (i) to (iii) of this paragraph for each such rate and, if Digital Coupon One Condition of Digital Coupon two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Rate(s) of Interest:

[[specify] [per cent. [per annum] payable [annually][semi-annually][quarterly][monthly] in arrear on each Interest Payment Date][Not applicable]

*(Amend appropriately in the case of irregular coupons)*

(ii) Fixed Coupon Amount(s):

[[specify] per Calculation Amount][Not applicable]

(iii) Broken Amount(s):

[[specify] per Calculation Amount, payable on the Interest Payment Date[s] falling [in][on][specify]] [Not applicable]

### 18. Floating Rate Note Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify] only]] [Not applicable] [for purposes only of determining the "Rate" element of the Rate of Interest specified in item 17(ix)] *(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix))*

*(In respect of Credit Linked Notes) [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]*

*(If more than one floating rate is to be determined, repeat items [Specify] to [Specify] for each such rate and, if Digital Coupon One Condition of Digital Coupon two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Specified Period(s):

[specify length of period] [Not applicable]

## FORM OF FINAL TERMS

- (ii) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination][ISDA Determination]
- (iii) Screen Rate Determination: [Applicable][Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Reference Rate: [specify period] [month] [year] [LIBOR] [EURIBOR] [CMS Rate with a Designated Maturity of [insert years]] [specify Government Bond Yield Rate] [specify TEC Rate] [with a Designated Maturity of [insert year]]
- (b) Interest Determination Date(s): [specify]
- (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (c) Specified Time: [specify]
- (which will be 11:00 am, London time, in the case of LIBOR, or 11:00 am, Brussels time, in the case of EURIBOR)*
- (d) Relevant Screen Page: [specify] (to be determined in accordance with General Condition 4(b)(iv))
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (iv) ISDA Determination: [Applicable][Not applicable]
- (a) Floating Rate Option: [specify]
- (b) Designated Maturity: [specify]
- (c) Reset Date: [specify]
- (v) Linear Interpolation: [Not Applicable][Applicable - the Rate of Interest for the [long][short] [first][last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (vi) Margin(s): [[+/-][specify]][per cent][per annum][Not applicable]
- (If a Margin applies for each Interest Period, the Margin shall be specified separately for each Interest Period)*
19. Specified Interest Amount Note Provisions: [Applicable][Not applicable] *(If not applicable delete the*

## FORM OF FINAL TERMS

*remaining subparagraphs of this paragraph)*

- (i) Specified Interest Amount(s): [In respect of the [following] Specified Interest Payment Dates [from and including [[specify] to and including [specify]]], [specify] per Calculation Amount

*(repeat as necessary)*

- (ii) Specified Interest Payment Date(s): [specify][[Each][The] Interest Payment Date falling on or nearest to] [specify][from and including [the Interest Payment Date falling on or nearest to] [specify] to and including [the Interest Payment Date falling on or nearest to][specify]]], as adjusted in accordance with the Business Day Convention]

### 20. Zero Coupon Note Provisions:

[Applicable][Not applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

- (i) Accrual Yield: [specify] per cent. [per annum]

- (ii) Reference Price: [specify]

*(If a different Reference Price and/or Accrual Yield applies to each Period, the Accrual Yield and/or Reference Price shall be specified separately for each such Period.)*

### 21. Index Linked Interest Provisions:

[Applicable] [in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify] only][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix))*

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

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

- (i) Index/Basket of Indices: [specify] [Reference Item[s]][k]]

[Composite][non Composite]

[Weighting: [[Not applicable][specify] Each such Weighting shall be subject to adjustment in accordance with the Index Linked Conditions]]

## FORM OF FINAL TERMS

- (ii) Index Currency: *[specify]*
- (iii) Exchange(s) and Index Sponsor: (a) the relevant Exchange[s] *[is][are]* *[specify]*; and  
(b) the relevant Index Sponsor is *[specify]*.
- (iv) Related Exchange: *[specify][All Exchanges]*
- (v) Screen Page: *[specify]*
- (vi) Strike Date: *[specify][Not applicable]*
- (vii) Strike Period [and Strike Days]: *[specify Strike Period][Not applicable][specify applicable Strike Days in the period]*
- (viii) Averaging: Averaging *[applies][does not apply]* to the Notes. [The Averaging Dates are *[specify]*.] [See paragraph *[specify]* above]  
  
[In the event that an Averaging Date is a Disrupted Day Omission][Postponement][Modified Postponement] will apply.]  
  
[[Specified Maximum Days of Disruption will be equal to: *[specify][five]*]  
  
*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (ix) Coupon Valuation Date(s)/Period(s): *[specify][Not applicable]*
- (x) Coupon Valuation Time: [Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]] *[[specify]*, being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the Interest Amount]  
  
*(If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)*
- (xi) Observation Date(s): *[specify][Not applicable]*  
  
[In the event that an Observation Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply.]
- (xii) Observation Period: *[specify][Not applicable]*
- (xiii) Exchange Business Day: [(All Indices Basis)][(Per Index Basis)][(Single Index Basis)] *(standard election is All Indices Basis)*
- (xiv) Scheduled Trading Day: [(All Indices Basis)][(Per Index Basis)][(Single Index Basis)][(Cross Asset Basis)]

## FORM OF FINAL TERMS

*(must match election made for Exchange Business Day)*

(xv) Index Correction Period: [As set out in Index Linked Condition 7][*specify*]

(xvi) Disrupted Day: [As set out in the Index Linked Conditions][*specify*]

(xvii) Index Adjustment Event: [As set out in Index Linked Condition 2][*specify*]

Delayed Redemption on Occurrence of Index Adjustment Event: [Applicable][Not applicable]

(xviii) Additional Disruption Events: [Not applicable] [The following Additional Disruption Events apply to the Notes:

*(Specify each of the following which applies)*

[Change in Law]

[Hedging Disruption]

[Increased Cost of Hedging]

[Increased Cost of Stock Borrow]

[Loss of Stock Borrow]

[The Trade Date is [*specify*].] *(Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*

[The Maximum Stock Loan Rate in respect of [*specify*] is [*specify*]] *(Only applicable if Loss of Stock Borrow is applicable)*

The Initial Stock Loan rate in respect of [*specify*] is [*specify*] *(Only applicable if Increased Cost of Stock Borrow is applicable)*

Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]

(xix) Market Disruption: Specified Maximum Days of Disruption will be equal to [*specify*][five][Not applicable]

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

## 22. Equity Linked Interest Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [*specify*] [to and including [*specify*]] only]] [Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix))*

*(If not applicable, delete the remaining subparagraphs of*

## FORM OF FINAL TERMS

*this paragraph)*

*(In respect of Credit Linked Notes) [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]*

- |        |   |  |
|--------|---|--|
| (i)    | Share(s)/Share Company/Basket of Shares/Basket Company: | [specify] [Reference Item[s][k]]<br><br>[Weighting: [Not applicable][specify] [Each such Weighting shall be subject to adjustment in accordance with the Equity Linked Conditions]   |
| (ii)   | Share Currency:   | [specify]  |
| (iii)  | ISIN of Share(s):                                       | [specify]  |
| (iv)   | Screen Page:  | [specify]  |
| (v)    | Exchange(s):  | [specify]  |
| (vi)   | Related Exchange(s):                                    | [specify][All Exchanges]   |
| (vii)  | Depository Receipt provisions:                          | [Applicable][Not applicable]   |
|        | (a) Details of Depository Receipt:                      | [specify name and ISIN code]   |
|        | (b) Underlying Shares:                                  | [specify]  |
|        | (c) Underlying Share Issuer:                            | [specify]  |
|        | (d) Share Exchange:                                     | [specify]  |
| (viii) | Strike Date:  | [specify][Not applicable]  |
| (ix)   | Strike Period [and Strike Days]:                        | [specify Strike Period][Not applicable][specify the applicable Strike Days in the Strike Period]   |
| (x)    | Averaging:  | Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [specify] [See paragraph [specify] above]<br><br>[In the event that an Averaging Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply.]<br><br>[[Specified Maximum Days of Disruption will be equal to: [specify][five]]<br><br><i>(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)</i> |
| (xi)   | Coupon Valuation Date(s)/Period(s):                     | [specify][Not applicable]  |
| (xii)  | Coupon Valuation Time:                                  | [Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]]  |



## FORM OF FINAL TERMS

[[specify], being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the Interest Amount]

*(If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)*

- (xiii) Observation Date(s): [specify][Not applicable]
- [In the event that an Observation Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]
- (xiv) Observation Period: [specify][Not applicable]
- (xv) Exchange Business Day: [(All Shares Basis)][(Per Share Basis)][(Single Share Basis)][(Cross Asset Basis)]
- (xvi) Scheduled Trading Day: [(All Shares Basis)][(Per Share Basis)][(Single Share Basis)][(Cross Asset Basis)]
- (Must match election for Exchange Business Day)*
- (xvii) Share Correction Period: [As set out in Equity Linked Condition 8][specify]
- (xviii) Disrupted Day: [As set out in Equity Linked Condition 8][specify]
- (xix) Market Disruption: Specified Maximum Days of Disruption will be equal to [specify][five][Not applicable]
- (If no Specified Maximum Days of Disruption is stated, Specified Maximum Days of Disruption will be equal to five)*
- (xx) Extraordinary Events: [Not Applicable][In addition to De-Listing, Insolvency, Merger Event and Nationalization, the following Extraordinary Events apply to the Notes:
- (specify each of the following which applies)*
- [Tender Offer]
- [Listing Change]
- [Listing Suspension]
- [Illiquidity]
- [Delayed Redemption on Occurrence of Extraordinary Disruption Event]
- (xxi) Additional Disruption Events: [Not applicable][The following Additional Disruption Events apply to the Notes:
- (Specify each of the following which applies)*

## FORM OF FINAL TERMS

[Change in Law]

[Hedging Disruption]

[Insolvency Filing]

[Failure to Deliver due to Illiquidity]

*(Only applicable in the case of Physically Settled Notes - Failure to Deliver due to Illiquidity is applicable to certain Share Linked Notes. Careful consideration should be given to whether Failure to Deliver due to Illiquidity would apply to other Physically Settled Notes)*

[Increased Cost of Hedging]

[Increased Cost of Stock Borrow]

[Loss of Stock Borrow]

[Stop-Loss Event]

[Stop-Loss Event Percentage: *[specify]* per cent.]

[The Trade Date is *[specify]*] *(Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*

[The Maximum Stock Loan Rate in respect of *[specify in relation to each relevant Share]* is *[specify]*] *(Only applicable if Loss of Stock Borrow is applicable)*

[[The Initial Stock Loan rate in respect of *[specify in relation to each relevant Share]* is *[specify]*] *(Only applicable if Increased Cost of Stock Borrow is applicable)*]

Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]

### 23. Inflation Linked Interest Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] *[specify]* [to and including *[specify]*] only]] [Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest (x) – Range Accrual" applied under item 17(ix))*

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

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

*(If more than one Inflation Rate is to be determined, repeat items (i) to (ix) for each such Inflation Rate and, if*

## FORM OF FINAL TERMS

*Digital Coupon One Condition of Digital Coupon two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*

- (i) Index / Indices: [specify] [Reference Item[s]][(k)]  
  
*(Set out each Index level and insert "in respect of [specify date]" following each Index level)*
- (ii) Screen Page/Exchange/ CODE: [specify]
- (iii) Cut-Off Date: [As per the Inflation Linked Conditions][specify]
- (iv) Related Bond: [specify][Fall Back Bond][Not applicable]
- (v) Fallback Bond: [Applicable][Not applicable]
- (vi) Index Sponsor: [specify]
- (vii) Related Bond Redemption Event: [Applicable][Not applicable]
- (viii) Strike Date: [specify][Not applicable]
- (ix) Strike Period [and Strike Days]: [Specify Strike Period][Not applicable][Specify the applicable Strike Days in the Strike Period]
- (x) Determination Date [specify][Not applicable]
- (xi) Additional Disruption Events: [Not applicable][The following Additional Disruption Events apply to the Notes:  
  
*(Specify each of the following which applies)*  
  
[Change in Law]  
  
[Hedging Disruption]  
  
[Increased Cost of Hedging]

[The Trade Date is [specify]. *(Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*]]

### 24. Fund Linked Interest Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify]] only][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix)),*

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(In respect of Credit Linked Notes) [ , subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]*

## FORM OF FINAL TERMS

- (i) Fund/Fund Basket(s): *[specify]* [Reference Item[s]][(k)]  
[The *[specify]* Fund is an Exchange Traded Fund]
- [The NAV per Fund Share will be purchased on *[specify]* (include for funds that are not ETFs) (where the Fund is not an ETF, for listed Notes, the Fund must be a UCITS Fund or an investment fund authorised by the Central Bank of Ireland or the Competent Authority of another EU Member State deemed equivalent by the ISE)]*
- (ii) Fund Shares: *[specify]*
- [Weighting: *[specify]*][Not applicable] Each such Weighting shall be subject to adjustment in accordance with the Fund Linked Conditions]
- (iii) Exchange: *[specify]*][Not applicable]
- (only applicable to ETFs)*
- (iv) Related Exchange: *[specify]*][All Exchanges]][Not applicable]
- (only applicable to ETFs)*
- (v) Exchange Business Day: *[specify]*][Not applicable]
- (only applicable to ETFs)*
- (vi) Scheduled Trading Day: [(All Fund Share Basis)][(Per Fund Share Basis)][Single Fund Share Basis)][(Cross Asset Basis)]
- (only applicable to ETFs)*
- (vii) Strike Date: *[specify]*][Not applicable]
- (only applicable to ETFs)*
- (viii) Averaging: Averaging [applies][does not apply] to the Notes [The Averaging Dates are *[specify]*] [see paragraph *[specify]* above]
- [In the event that an Averaging Date is a Disrupted Day Omission][Postponement][Modified Postponement] will apply]
- [[Specified Maximum Days of Disruption will be equal to: *[specify]*][five]]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (ix) Observation Date: *[specify]*][Not applicable]

In the event that an Observation Date is a Disrupted Date

## FORM OF FINAL TERMS

		[Omission][Postponement][Modified Postponement] will apply
(x)	Observation Period:	<i>[specify]</i> [Not applicable]
(xi)	Coupon Valuation Date(s)/Period(s):	<i>[specify]</i> [Not applicable]
(xii)	Valuation Time (only applicable to ETFs):	[Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]] [[ <i>[specify]</i> ], being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the Interest Amount]  <i>(If no time is specified, the Valuation Time will be the close of trading on the Exchange)</i>
(xiii)	Fund Service Provider:	<i>[specify]</i> [As set out in Fund Linked Condition 7]
(xiv)	Fund Documents:	<i>[specify]</i>
(xv)	Fund Business Day:	[(All Fund Share Basis)][(Per Fund Share Basis)][(Single Fund Share Basis)]
(xvi)	Initial Calculation Date:	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]
(xvii)	Final Calculation Date:	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]
(xviii)	Calculation Date(s):	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]
(xix)	Exchange Rate:	<i>[specify]</i> [Not applicable]
(xx)	NAV Barrier:	<i>[specify]</i> [Not applicable]
(xxi)	NAV Trigger Percentage:	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]
(xxii)	NAV Trigger Period:	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]
(xxiii)	Number of NAV Publication Days:	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]
(xxiv)	Basket Trigger Level:	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]
(xxv)	Termination Amounts:	[Principal Protected Termination Amount][Non-Principal Protected Termination Amount][Not applicable]
(xxvi)	Termination Date:	<i>[specify]</i> [Not applicable]
(xxvii)	Protected Amount:	<i>[specify]</i> [Not applicable]
(xxviii)	Simple Interest Spread:	<i>[specify]</i> [As set out in Fund Linked Condition 7] [Not applicable]

## FORM OF FINAL TERMS

(xxix)	Spread:	[specify][Not applicable]
(xxx)	Market Disruption:	[Not Applicable][Specified Maximum Days of Disruption will be equal to [specify][five]]  <i>(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)</i>
(xxxi)	Extraordinary Fund Event:	As set out in Fund Linked Condition 4  Delayed Redemption on the Occurrence of an Extraordinary Fund Event: [Applicable][Not applicable]
(xxxii)	Additional Extraordinary Fund Event:	[Not applicable][The following Additional Disruption Events apply to the Notes:  <i>(Specify each of the following which applies)</i>  [Change in Law]  [Hedging Disruption]  [Increased Cost of Hedging]  [The Trade Date is [specify]] <i>(only applicable if Change in Law and/or Increased Cost of Hedging is applicable)</i>  <i>(Specify whether each Additional Extraordinary Fund Event is a Substitution Event or a Termination Event)</i>
(xxxiii)	Delayed Payment Cut-Off Date:	[As set out in Fund Linked Condition 6][specify]
<b>25.</b>	<b>Foreign Exchange (FX) Rate Linked Interest Provisions:</b>	[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify]] only]][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] <i>(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix))</i>  <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>  <i>(In respect of Credit Linked Notes)</i> [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]
(i)	Base Currency:	[specify][Not applicable][For Reference Item[(k)]: [insert]]
(ii)	Subject Currency/Currencies:	[specify][Not applicable][For Reference Item[(k)]: [insert]] [and EM Foreign Exchange Rate Provisions apply to such Subject Currency]

## FORM OF FINAL TERMS

- (iii) Additional Disruption Event: *(Specify each of the following which applies)* [Change in Law] [Hedging Disruption] [Increased Cost of Hedging]
- [Trade Date means *specify*]
- (iv) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are *specify*] [see paragraph *specify* above]
- [In the event that an Averaging Date is a Disrupted Day Omission][Postponement][Modified Postponement] will apply]
- [[Specified Maximum Days of Disruption will be equal to: *specify*][five]]
- (if no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (v) Observation Date(s): *specify*][Not applicable]
- (vi) Observation Period: *specify*][Not applicable]
- (vii) Strike Date: *specify*][Not applicable]
- (viii) Strike Period [and Strike Days]: *Specify Strike Period*][Not applicable][*Specify the applicable Strike Days in the Strike Period*]
- (ix) Coupon Valuation Date(s)/Period(s): *specify*][Not applicable]
- (x) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions do not apply to a Settlement Currency: [Applicable [in respect of *specify Subject Currencies to which these provisions apply where there is a Basket*]]][Not applicable]
- (Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)*
- (a) Delayed Redemption on the Occurrence of a Disruption Event: [Applicable][Not applicable]
- (b) Relevant Screen Page: *specify*][Not applicable]
- (c) Specified Maximum Days of Disruption: [Specified Maximum Days of Disruption will be equal to: *specify*][five]]][Not applicable]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (d) Price Source: *specify*]
- (e) Valuation Time: *specify*][As per Foreign Exchange (FX) Rate Linked Note Condition 6]

## FORM OF FINAL TERMS

- (xi) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions apply: [Applicable [in respect of *[specify Subject Currencies to which these provisions apply where there is a Basket]*][Not applicable]

*(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)*

- (a) Provisions applicable to determining the Settlement Price: For the purpose of the definition of Settlement Price in Foreign Exchange (FX) Rate Linked Note Condition 6 [and *[specify the relevant Subject Currency where more than one Subject Currency]*]:

EM FX Price Source: *[specify]*

EM Valuation Time: *[specify]*

EM Scheduled Trading Day Jurisdiction: *[specify]*

- (b) EM Disruption Events:

[Price Source Disruption]

[Illiquidity Disruption]

[Dual Exchange Rate]

[General Inconvertibility]

[General Non-Transferability]

[Material Change in Circumstance]

[Nationalisation]

[Price Materiality, where:

EM Price Materiality Percentage: *[specify]* [3] per cent.

EM Primary Rate: *[specify]* [The rate determined as set out in the definition of Settlement Price]

EM Secondary Rate: *[specify]* [[EM First Fallback Reference Price [and]] [EM Second Fallback Reference Price]]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Events (or components thereof) also apply thereto)*

- (c) EM Disruption Fallbacks:

[EM Calculation Agent Determination]

[EM First Fallback Reference Price, where:



## FORM OF FINAL TERMS

First Fallback EM FX Price Source: *[specify]*

First Fallback EM Valuation Time: *[specify]*

First Fallback EM Number of Settlement Days:  
*[specify]*

[EM Second Fallback Reference Price, where:

Second Fallback EM FX Price Source: *[specify]*

Second Fallback EM Valuation Time: *[specify]*

Second Fallback EM Number of Settlement  
Days: *[specify]*

[EM Valuation Postponement]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(d) EM Maximum Days of *[specify]*  
Postponement:

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(e) EM Cumulative Events:

[Not applicable][Applicable and EM Maximum Cumulative Days of Postponement means *[specify]*]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(f) EM Number of Settlement  
Days:

[Two][Zero]*[specify other number of days]* [where Settlement Day Centre(s) means *[specify]*]

(g) EM Number of Postponement  
Settlement Days:

[[Two]*[specify]*] [Business Days][EM Settlement Days]  
*[specify]*

**26. Reference Item Rate Linked**  
**Interest/Redemption:**

[Applicable [, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] *[specify]* [to and including] *[specify]* only][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest x" - Range Accrual" applies under item 17(ix))*

*(In respect of Credit Linked Notes) [, subject to the*

## FORM OF FINAL TERMS

provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

[The [Floating][Fixed] Rate Note Provisions shall apply. For the purposes of determining the Reference Item Rate on the basis of elections in this paragraph]

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

*(If more than one Reference Item Rate is to be determined, include the following language: "Reference Item Rate [specify] is as follows:" and repeat items (i) to (vi)) below for each such Reference Item Rate)*

(i) Screen Rate Determination:

[Applicable][Not applicable]

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

(a) Reference Item Rate:

[specify period][month][year][LIBOR][EURIBOR][CMS Rate with a Designated Maturity of [insert year][specify Government Bond Yield Rate][specify TEC Rate] [with a Designated Maturity of [insert years]]

(b) Interest Determination Date(s):

[specify]

*(e.g: Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR. Where the Rate of Interest is being used other than for a Floating Rate Note, ensure that this is not specified in respect of an Interest Period and the relevant Range Accrual Day may be specified where relevant for Range Accrual Notes.)*

(c) Specified Time:

[specify]

*(which will be 11:00 am, London time, in the case of LIBOR, or 11:00 am, Brussels time, in the case of EURIBOR)*

(d) Relevant Screen Page:

[specify]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

(ii) ISDA Determination:

[Applicable][Not applicable]

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

## FORM OF FINAL TERMS

*this paragraph)*

- (a) Floating Rate Option: [specify]
- (b) Designated Maturity: [specify]
- (c) Reset Date: [specify]
- (iii) Reference Item Spread: [Reference Item Rate 1 minus Reference Item Rate 2][Not applicable]

[See paragraph [ ] [above][below]

*(If a Reference Spread applies for each Interest Period, the Reference Spread shall be specified separately for each Interest Period.)*

- (iv) Coupon Valuation Date(s)/Period(s): [specify][Not applicable]
- (v) Rate Cut-Off Date: [specify] [See paragraph [specify][above][below][Not applicable]

- (vi) Business Day: As used in this item and for the purpose of determining the Reference Item Rate only, "**Business Day**" means [a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [specify] [A Target Settlement Day][ [a "U.S. Government Securities Business Day", being any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for the purposes of trading in U.S. government securities.]

[Not applicable]

27. **Combination Note Interest:** [Applicable][Not applicable]

*(Applicable in relation to Interest linked to a combination of types of Reference Items)*

*(If applicable, complete relevant prompts from Paragraphs [16] to [26] above)*

## PROVISIONS RELATING TO REDEMPTION

28. **Final Redemption Amount:** [Redemption at par][Calculation Amount \* [specify] per cent.][Calculation Amount \* Final Payout] [, subject to [specify]][the application of the Settlement Exchange Rate Provisions [in the specified circumstances set out in the Final Payout Formula only]]]

29. **Final Payout:** [Not applicable]

## FORM OF FINAL TERMS

*(In respect of the following, insert formula from Payout Condition 2.2 and relevant definitions from Payout Condition 5)*

[Redemption (i)]  
 [Redemption (ii) – Call]  
 [Redemption (iii) – Put]  
 [Redemption (iv)]  
 [Redemption (v) – Multiplier]  
 [Redemption (vi) – Digital]  
 [Redemption (vii) – Digital with Knock-in]  
 [Redemption (viii) – Strike Podium n Conditions]  
 [Redemption (ix) – Versus Standard]  
 [Redemption (x) – Versus]  
 [Redemption (xi) – Knock-in Standard]  
 [Redemption (xii) – Twin Win]  
 [Redemption (xiii) – Himalaya]  
 [Redemption (xiv) – Podium]  
 [Redemption (xv) – Booster]  
 Redemption (xvi) – Bonus]  
 [Redemption (xvii) – Lock-in]

### 30. Automatic Early Redemption:

[Applicable][Not applicable]

*(If applicable, specify one of the following)*

[ST Automatic Early Redemption][Target Automatic Early Redemption] *(always insert "Target Automatic Early Redemption Event" in relation to Accumulated Coupon)*

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

- (i) Automatic Early Redemption Event: [In respect of [any][all] Automatic Early Redemption Valuation Date[s] [from (i)=[specify] to (i)=[specify]] [for [each][the][relevant][any][all] Automatic Early Redemption Valuation Period[s] [from ((i))=[specify] to ((i))=[specify]] [,the] AER Value is: [greater than][greater than or equal to][less than][less than or equal to] the Automatic Early Redemption [Level][Price]] [within][outside] the Automatic Early Redemption Range] *(repeat as necessary)*
- (ii) AER Value: *[insert relevant value definition and where applicable relevant definitions from Payout Condition 5.1 and 5.2]*
- (iii) Automatic Early Redemption Payout: The Automatic Early Redemption Amount shall be determined in accordance with the following formula:  
*(Insert relevant formula from payout annex)*
- (iv) Automatic Early Redemption Level/Price: [[specify] [per cent.]] [Not applicable]

## FORM OF FINAL TERMS

- (v) Automatic Early Redemption Range: From and [including][excluding][*specify range of values, percentages, level, or prices etc*] to and [including][excluding] [*specify range of values, percentages, level or prices etc*][Not applicable]
- (vi) AER Percentage: [*specify*] per cent.][Not applicable]  
  
(*insert where ST Automatic Early Redemption applies*)
- (vii) Automatic Early Redemption Date(s): [*specify*] [The date falling [*specify*] Business Days following [each][the] Automatic Early Redemption [Date][Period] in respect of which an Automatic Early Redemption Event has occurred] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].
- (viii) AER Additional Rate: [AER Rate][*Insert relevant provisions from Payout Condition 5.1*][Not applicable]  
  
[AER Rate DCF][*Insert relevant provisions from Conditions*]  
  
[AER Rate MT][*Insert relevant provisions from Conditions*]
- (ix) [(i)] Automatic Early Redemption Valuation Date(s): [*specify*] [Each [*specify*] [Scheduled Trading Day] falling within the [relevant] Automatic Early Redemption Valuation Period]  
  
(*repeat as necessary*)
- [(ii)] Automatic Early Redemption Valuation Period(s): [[from (i)=[*specify*] to [*specify*] [Each][The] period from [and including][but excluding][*specify*], to [and including][but excluding][*specify*]  
  
(*repeat as necessary*)
- (x) Automatic Early Redemption Valuation Time: [*specify*][Scheduled Closing Time][Any time [on the relevant Automatic Early Redemption Valuation Date][during the Automatic Early Redemption Valuation Period].
- (xi) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [*specify*].] [See paragraph [*specify*] above]  
  
[In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]  
  
[Specified Maximum Days of Disruption will be equal to:

## FORM OF FINAL TERMS

[specify][five]

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

### 31. Issuer Call Option:

[Applicable][Not applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Optional Redemption Date(s): [specify] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].

(ii) Optional Redemption Valuation Date(s): [specify][Not applicable]

(iii) Optional Redemption Amount: [[specify] per Calculation Amount]

*(Insert relevant Optional Redemption Amount in respect of each relevant Optional Redemption Date. These may be set out in a table or annexed to the Final Terms)*

(iv) If redeemable in part:

(a) Minimum Redemption Amount: [specify][Not applicable]

(b) Higher Redemption Amount: [specify][Not applicable]

(v) Notice periods: Minimum period: [specify]  
Maximum period: [specify]  
[Not applicable]

*(When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

### 32. Noteholder Put:

[Applicable][Not applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Optional Redemption Date(s): [specify] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].

(ii) Optional Redemption Valuation Date(s): [specify][Not applicable]

(iii) Optional Redemption Amount(s): [[specify] [per Calculation Amount][The Optional Redemption Amount shall be determined in accordance

## FORM OF FINAL TERMS

with the following formula:

*(Insert relevant formula from Payout Annex)*

(iv) Notice periods:

Minimum period: *[specify]*[Not applicable]

Maximum period: *[specify]*[Not applicable]

*(When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

**33. Early Redemption Amount:**

*[[specify] per Calculation Amount][As set out in General Condition 6]*

**34. Index Linked Redemption:**

*[Applicable][Not applicable]*

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

(i) Index/Basket of Indices:

*[specify][Reference Item[s]((k))]*

*[Composite][Non Composite]*

*[Weighting: [Not applicable][specify] [Each such Weighting shall be subject to adjustment in accordance with the Index Linked Conditions]]*

(ii) Index Currency:

*[specify]*

(iii) Exchange(s) and Index Sponsor:

(a) the relevant Exchange[s] *[is][are]* *[specify]*; and

(b) the relevant Index Sponsor is *[specify]*

(iv) Related Exchange:

*[specify][All Exchanges][Not applicable]*

(v) Screen Page:

*[specify][Not applicable]*

(vi) Strike Date:

*[specify][Not applicable]*

(vii) Strike Period [and Strike Days]:

*[Specify Strike Period][Not applicable][Specify the applicable Strike Days in the Strike Period]*

(viii) Averaging:

Averaging *[applies][does not apply]* to the Notes. *[The Averaging Dates are [specify] [See paragraph [specify] above]*

*[In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]*

*[Specified Maximum Days of Disruption will be equal to: [specify][five]]*

## FORM OF FINAL TERMS

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

- |         |                               |   |
|---------|-------------------------------|---|
| (ix)    | Redemption Valuation Date(s): | [specify][Not applicable]   |
| (x)     | Redemption Valuation Time:    | [Scheduled Closing Time][Any time [on the relevant Redemption Valuation Date][during the Observation Period]] [[specify], being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount]                 |
| (xi)    | Observation Date(s):          | [specify][Not applicable]<br><br>[In the event that an Observation Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]  |
| (xii)   | Observation Period:           | [specify][Not applicable]   |
| (xiii)  | Exchange Business Day:        | [(All Indices Basis)][(Per Index Basis)][(Single Index Basis)][(Cross Asset Basis)]<br><i>(standard election is All Indices Basis)</i>  |
| (xiv)   | Scheduled Trading Day:        | [(All Indices Basis)][(Per Index Basis)][(Single Index Basis)][(Cross Asset Basis)]<br><i>(must match election made for Exchange Business Day)</i>  |
| (xv)    | Index Correction Period:      | [As set out in Index Linked Condition 7][specify]   |
| (xvi)   | Disrupted Day:                | [As set out in the Index Linked Conditions][specify]  |
| (xvii)  | Index Adjustment Event:       | [As set out in Index Linked Condition 2][specify]<br><br>Delayed Redemption on Occurrence of Index Adjustment Event: [Applicable][Not applicable]   |
| (xviii) | Additional Disruption Event:  | [Not applicable][The following Additional Disruption Events apply to the Notes:<br><br><i>(Specify each of the following which applies)</i><br><br>[Change in Law]<br><br>[Hedging Disruption]<br><br>[Increased Cost of Hedging]<br><br>[Increased Cost of Stock Borrow]<br><br>[Loss of Stock Borrow] |



## FORM OF FINAL TERMS

[[The Trade Date is *[specify]* (only applicable if Change in Law and/or Increased Cost of Hedging is applicable)]]

[[The Maximum Stock Loan Rate in respect of *[specify]* in relation to each relevant Share] is *[specify]* (only applicable if Loss of Stock Borrow is applicable)]]

[[The Initial Stock Loan rate in respect of *[specify]* in relation to each relevant Share] is *[specify]* (only applicable if Increased Cost of Stock Borrow is applicable)]]

Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]]

(xix) Market Disruption:

Specified Maximum Days of Disruption will be equal to *[specify]*[[five]]

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

### 35. Equity Linked Redemption

[Applicable][Not applicable]

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

(i) Share/Basket of Shares/Basket *[specify]* [Reference Item[s]][(k)]]  
Company:

[Weighting: [Not applicable][*specify*] [Each such Weighting shall be subject to adjustment in accordance with the Equity Linked Conditions]]

(ii) Share Currency: *[specify]*

(iii) ISIN of Share(s): *[specify]*

(iv) Screen Page: *[specify]*

(v) Exchange: *[specify]*

(vi) Related Exchange(s): *[specify]*[[All Exchanges]][Not applicable]

(vii) Depositary Receipt provisions: [Applicable][Not applicable]

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

(a) Details of Depositary Receipt: *[specify name and ISIN code]*

(b) Underlying Shares: *[specify]*

(c) Underlying Share Issuer: *[specify]*

## FORM OF FINAL TERMS

- (d) Share Exchange: *[specify]*
- (viii) Strike Date: *[specify]*
- (ix) Strike Period [and Strike Days]: *[specify Strike Period][Not applicable][specify the applicable Strike Days in the Strike Period]*
- (x) Averaging: Averaging [applies/does not apply] to the Notes [The Averaging Dates are *[specify]*] [See paragraph *[specify]* above]
- [In the event that an Averaging Date is a Disrupted Day Omission][Postponement][Modified Postponement] will apply.]
- [Specified Maximum Days of Disruption will be equal to: *[specify]*][five]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (xi) Redemption Valuation Date(s): *[specify]*
- (xii) Redemption Valuation Time: [Scheduled Closing Time][Any time [on the relevant Redemption Valuation Date][during the Observation Period]] *[[specify]*, being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount]
- (xiii) Observation Date(s): *[specify]* [Not applicable]
- In the event that an Observation Date is a Disrupted Date [Omission][Postponement][Modified Postponement] will apply
- (xiv) Observation Period: *[specify]* [Not applicable]
- (xv) Exchange Business Day: [(All Shares Basis)][(Per Share Basis)][(Single Share Basis)][(Cross Asset Basis)]
- (xvi) Scheduled Trading Day: [(All Shares Basis)][(Per Share Basis)][(Single Share Basis)][(Cross Asset Basis)]
- (xvii) Share Correction Period: [As set out in Equity Linked Condition 8]*[specify]*
- (xviii) Disrupted Days: [As set out in Equity Linked Condition 8]*[specify]*
- (xix) Market Disruption: Specified Maximum Days of Disruption will be equal to *[specify]* [five]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

## FORM OF FINAL TERMS

- (xx) Extraordinary Events: [Not applicable][In addition to De-Listing, Insolvency, Merger Event and Nationalization, the following Extraordinary Events apply to the Notes:
- [Tender Offer]
- [Listing Change]
- [Listing Suspension]
- [Illiquidity]
- [Delayed Redemption on Occurrence of Extraordinary Disruption Event]
- (xi) Additional Disruption Events: [Not applicable][The following Additional Disruption Events apply to the Notes:
- (Specify each of the following which applies)*
- [Change in Law]
- [Hedging Disruption]
- [Insolvency Filing]
- [Failure to Deliver due to Illiquidity]
- (N.B. Only applicable in the case of Physical Delivery Notes - Failure to Deliver due to Illiquidity is applicable to certain Share Linked Notes. Careful consideration should be given to whether Failure to Deliver due to Illiquidity would apply to other Physical Delivery Notes)*
- [Increased Cost of Hedging]
- [Increased Cost of Stock Borrow]
- [Loss of Stock Borrow]
- [Stop-Loss Event]
- [Stop-Loss Event Percentage: *[specify]* per cent.]
- [The Trade Date is *[specify]*] *(Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*
- [The Maximum Stock Loan Rate in respect of *[specify]* in relation to each relevant Share] is *[specify]* *(Only applicable if Loss of Stock Borrow is applicable)*
- [The Initial Stock Loan rate in respect of *[specify]* in relation to each relevant Share] is *[specify]* *(Only applicable if Increased Cost of Stock Borrow is applicable)*

## FORM OF FINAL TERMS

Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]

### 36. Inflation Linked Redemption:

[Applicable][Not applicable]

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

- (i) Index/Indices: [specify] [Reference Item[s]][(k)]
- (ii) Screen page/Exchange/CODE: [specify]
- (iii) Index Sponsor: [specify]
- (iv) Cut-Off Date: [As per the Inflation Linked Conditions][specify]
- (v) Related Bond: [specify][Fall Back Bond][Not applicable]
- (vi) Fall Back Bond: [Applicable][Not applicable]
- (vii) Related Bond Redemption Event: [As set out in Inflation Linked Condition 4][specify]
- (viii) Strike Date: [specify][Not applicable]
- (ix) Strike Period [and Strike Days]: [Specify Strike Period][Not applicable][Specify the applicable Strike Days in the Strike Period]
- (x) Determination Date(s): [specify]
- (xi) Additional Redemption Event: [Not applicable][The following Additional Disruption Events apply to the Notes:

*(Specify each of the following which applies)*

[Change in Law]

[Hedging Disruption]

[Increased Cost of Hedging]

[The Trade Date is [specify] *(Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*]

### 37. Fund linked Redemption:

[Applicable][Not applicable]

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

- (i) Fund/Fund Basket: [specify][Reference Item[s]][(k)]

[The [specify] Fund is an Exchange Traded Fund]

[Weighting: [specify][Not applicable] [Each such Weighting shall be subject to adjustment in accordance with the Fund Linked Conditions]]

## FORM OF FINAL TERMS

- (ii) Fund Shares: *[specify]*
- (iii) Exchange: *[specify]* *[Not applicable]*  
*(only applicable to ETFs)*
- (iv) Related Exchange: *[specify]* *[All Exchanges]* *[Not applicable]*  
*(only applicable to ETFs)*
- (v) Exchange Business Day: *[Applicable: [(All Fund Shares Basis)] [(Per Fund Share Basis)] [(Single Fund Share Basis)] [(Cross Asset Basis)]]*  
*[Not applicable]*  
*(only applicable to ETFs)*
- (vi) Scheduled Trading Day: *[Applicable: [(All Fund Shares Basis)] [(Per Fund Share Basis)] [(Single Fund Share Basis)] [(Cross Asset Basis)]]*  
*[Not applicable]*  
*(only applicable to ETFs)*
- (vii) Strike Date: *[specify]* *[Not applicable]*  
*(only applicable to ETFs)*
- (viii) Strike Period *[and Strike Days]*: *[specify Strike Period]* *[Not applicable]* *[specify the applicable Strike Days in the Strike Period]*
- (ix) Averaging: Averaging *[applies]* *[does not apply]* to the Notes *[The Averaging Dates are [specify]]* *[See paragraph [specify] above]*  
  
*[In the event that an Averaging Date is a Disrupted Day Omission]* *[Postponement]* *[Modified Postponement]* will apply  
  
*[[Specified Maximum Days of Disruption will be equal to: [specify]]]*  
  
*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (x) Observation Date: *[specify]* *[Not applicable]*  
  
*In the event that an Observation Date is a Disrupted Date* *[Omission]* *[Postponement]* *[Modified Postponement]* will apply
- (xi) Observation Period: *[specify]* *[Not applicable]*
- (xii) Redemption Valuation Date: *[specify]* *[Not applicable]*
- (xiii) Valuation Time (only applicable to *[Scheduled Closing Time]* *[Any time [on the relevant*

## FORM OF FINAL TERMS

ETFs):	Redemption Valuation Date][during the Observation Period]] [[ <i>specify</i> ], being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount]
	<i>(If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)</i>
(xiv) Fund Service Provider:	[ <i>specify</i> ][As set out in Fund Linked Condition 4]
(xv) Fund Documents:	[ <i>specify</i> ]
(xvi) Fund Business Day:	[ <i>specify</i> ][All Fund Share Basis][Per Fund Share Basis][(Single Fund Share Basis)]
(xvii) Initial Calculation Date:	[ <i>specify</i> ][As set out in Fund Linked Condition 7][Not applicable]
(xviii) Final Calculation Date:	[ <i>specify</i> ][As set out in Fund Linked Condition 7][Not applicable][Not applicable]
(xix) Calculation Date(s):	[ <i>specify</i> ][As set out in Fund Linked Condition 7][Not applicable]
(xx) Exchange Rate:	[ <i>specify</i> ][Not applicable]
(xxi) NAV Barrier:	[ <i>specify</i> ][Not applicable]
(xxii) NAV Trigger Percentage:	[ <i>specify</i> ][As per the Fund Linked Condition 7][ <i>specify</i> ][Not applicable]
(xxiii) NAV Trigger Period:	[As per the Fund Linked Conditions][ <i>specify</i> ]
(xxiv) Basket Trigger Level:	[ <i>specify</i> ][Not applicable] [As set out in Fund Linked Condition 7][Not applicable]
(xxv) Number of NAV Publication Days:	[ <i>specify</i> ] [As set out in Fund Linked Condition 7][Not applicable]
(xxvi) Termination Amounts:	[Principal Protected Termination Amount][Non Principal Protected Termination Amount][Not applicable]
(xxvii) Protected Amount:	[ <i>specify</i> ][Not applicable]
(xxviii) Termination Date:	[ <i>specify</i> ][Not applicable]
(xxix) Simple Interest Spread:	[ <i>specify</i> ][Not applicable][As set out in Fund Linked Condition 7]
(xxx) Spread:	[ <i>specify</i> ][Not applicable]
(xxxi) Market Disruption:	Specified Maximum Days of Disruption will be equal to [ <i>specify</i> ][five]

*(If no Specified Maximum Days of Disruption are stated,*

## FORM OF FINAL TERMS

*Specified Maximum Days of Disruption will be equal to five)*

(xxxii) Extraordinary Events:

As set out in the Fund Linked Conditions

Delayed Redemption on the Occurrence of an Extraordinary Fund Event: [Applicable][Not applicable]

(xxxiii) Additional Extraordinary Fund Event:

[Not applicable][The following Additional Disruption Events apply to the Notes:

*(Specify each of the following which applies)*

[Change in Law]

[Hedging Disruption]

[Increased Cost of Hedging]

[Failure to Deliver due to Illiquidity]

[The Trade Date is *[specify]* (Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)]

*(Specify whether each Additional Extraordinary Fund Event is a Substitution Event or a Termination Event)]*

(xxxiv) Delayed Payment Cut-off Date:

[As set out in Fund Linked Condition 6][*specify*][Not applicable]

### 38. Credit Linked Redemption:

[Applicable][Not applicable]

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

(i) Type of Credit Linked Notes

The Notes are [Single Reference Entity][First-to-Default] [Nth to Default] Credit Linked Notes [and the Relevant Number is *[specify]* (for Nth-to-Default Credit Linked Notes)] [Non-Tranched Linear Basket Credit Linked Notes where Credit Payment [on Maturity] [As You Go] applies] [Tranched Linear Basket Credit Linked Notes]

(a) [Credit Event Amount: *[specify amount]* (NB only use for zero/set recovery)][As set out in the Credit Linked Conditions]

(b) Credit Event Payment Date: [*[specify]* (if other than three) Business Days] [As set out in the Credit Linked Conditions]] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]

*(NB: (a) and (b) are only applicable for Non-Tranched Linear Basket Credit Linked Notes to which Credit Payment As You Go applies,*

## FORM OF FINAL TERMS

*otherwise delete (a) and (b))*

- (ii) Credit Event Redemption Amount: [As set out in Credit Linked Condition 13]  
*[specify amount] (NB only use for zero/set recovery that are not Linear Basket Credit Linked Notes)*
- (iii) Protected Amount: [Applicable][Not applicable]  
*[specify amount if applicable]*  
*(NB: The Protected Amount shall be applicable in case of Single Reference Entity Credit Linked Notes, First-to Default Credit Linked Notes and Nth-to Default Credit Linked Notes where only part of the Nominal Amount is exposed to the relevant Reference Entity/es)*
- (iv) Unwind Costs: [Applicable: *[specify]*][Standard Unwind Costs][Not applicable]
- (v) [(a)] Credit Event Redemption Date: [Credit Linked Condition 13 applies][*(specify if other than three)* Business Days] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].  
[(b)] Maturity Credit Redemption: [Applicable][Not applicable] *(NB delete this line item (b) for Linear Basket Credit Linked Notes)*
- (vi) Settlement Method:  
(see further items (xxix) to (xix) below) [Auction Settlement][Cash Settlement][Physical Delivery]  
[Not applicable:] [Zero/Set Recovery Notes] [Tranched Linear Basket Credit Linked Notes]
- (vii) Trade Date: *[specify]*
- (viii) Calculation Agent City: *[specify]*[as per the Physical Settlement Matrix]
- (ix) Business Day Convention: [Following][Modified Following][Preceding] Business Day Convention *(insert only where no Business Day convention has been specified already for the Notes, otherwise delete.)*
- (x) Reference Entity(ies): *[specify] [NB: these may be set out in the form of a table or by reference to a credit derivatives index setting out the applicable names (in which circumstances, include the following text and any details of the date/version of the referenced credit derivatives index: "Each Reference Entity comprising the [specify name of index] on the [Issue/Trade] Date. No adjustments to the terms of the Notes shall be made to reflect subsequent versions or reconstitutions of the [specify name of index]."). All relevant items below should be completed in respect of each Reference Entity (repeating items where necessary) which may also be done by including the Reference*



## FORM OF FINAL TERMS

*Entities and such items in a table]*

- (xi) Physical Settlement Matrix: [Applicable, [for which purpose the Date of the Physical Settlement Matrix is *[specify]*]] [Not Applicable] (*if Applicable, specify in relation to each Reference Entity its Transaction Type*)
- (xii) Transaction Type: [Not applicable] (*insert in relation to each Reference Entity if item (xiii) applies. (e.g.: 'European Corporate'.)*)
- (xiii) Reference Entity Notional Amount *[specify in respect of each Reference Entity]* [Not applicable]
- (xiv) Reference Obligation(s): *[specify] (NB: where Standard Reference Obligation is applicable and no Reference Obligation is cited on the SRO list or if Standard Reference Obligation is not applicable then insert)*
- Standard Reference Obligation: [Not applicable] [Applicable]
- Seniority Level: [Senior Level] [Subordinated Level] [As set out in Credit Linked Condition 13]
- [Not applicable] (*NB: this can only be specified for Physically Settled Credit Linked Notes - the Reference Obligation section must be inserted when Notes are Cash Settled*)
- (NB: where Standard Reference Obligation is applicable and no Reference Obligation is cited on the SRO list or if Standard Reference Obligation is not applicable then insert (a)-(e) below, otherwise, delete)*
- (a) Primary Obligor: *[specify]*
- (b) Guarantor: *[specify]*
- (c) Maturity: *[specify]*
- (d) Coupon: *[specify]*
- (e) CUSIP/ISIN: *[specify]*
- (xv) All Guarantees: [As per the Physical Settlement Matrix] [Applicable] [Not applicable]
- [Provisions relating to Qualifying Guarantee and Underlying Obligation: Credit Linked Condition 17 [Applicable] [Not applicable]] (*delete if Physical Settlement Matrix applies*)
- (xvi) Credit Events: [As per the Physical Settlement Matrix]
- [Bankruptcy]

## FORM OF FINAL TERMS

- [Failure to Pay]
- [Grace Period Extension] [Applicable][Not applicable]
- [If applicable: Grace Period: *[specify]*]
- [Obligation Default]
- [Obligation Acceleration]
- [Repudiation/Moratorium]
- [Restructuring]
- [Provisions relating to Restructuring Credit Event: Credit Linked Condition 14: [Applicable][Not applicable][Mod R/Mod Mod R] applicable]
- [Provisions relating to Multiple Holder Obligation: Credit Linked Condition 15: [Applicable][Not applicable]]
- [Restructuring Maturity Limitation and Fully Transferable Obligation: [Applicable][Not applicable]]
- [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Applicable][Not applicable]]
- [Governmental Intervention]
- (a) Default Requirement: *[specify]* [As set out in Credit Linked Condition 13]
- (b) Payment Requirement: *[specify]* [As set out in Credit Linked Condition 13]
- (xvii) Credit Event Determination Date: Notice of Publicly Available Information: [Applicable][Not applicable]
- [If Applicable:
- Public Source(s): *[specify]*
- Specified Number: *[specify]*
- (xviii) Obligation(s):
- (a) Obligation Category: [As per the Physical Settlement Matrix][Payment][Borrowed Money] [Reference Obligations Only] [Bond][Loan] [Bond or Loan]
- (select one only)*
- (b) Obligation Characteristics: [As per the Physical Settlement Matrix][Not Subordinated] [Specified Currency: *[specify currency]*/Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: *[specify currency]*]

## FORM OF FINAL TERMS

[Not Domestic Law] [Listed] [Not Domestic Issuance]

*(select all of which apply)*

- (xix) Additional Obligation(s): [specify]
- (xx) Excluded Obligation(s): [specify]
- (xxi) Domestic Currency: [As set out in the Credit Linked Conditions][Not applicable][specify]
- (xxii) Accrual of [Interest][Yield] upon Credit Event: [Applicable][Not applicable]  
 [Continuing Accrual until scheduled maturity applicable]  
*(Note: this option only to be specified if Maturity Credit Redemption applies) (Not relevant for Zero Coupon Credit Linked Notes)*
- [Credit Linked Condition 5 not applicable] *(this option only for Linear Basket Credit Linked Notes)*
- (xxiii) Merger Event: Credit Linked Condition 12: [Applicable][Not applicable]  
 [If applicable: [Merger Event Redemption Date:[specify]]]  
 [Merger Event Redemption Amount: [specify]]
- (xxiv) Provisions relating to Monoline Insurer as Reference Entity: Credit Linked Condition 16: [Applicable][Not applicable]
- (xxv) Provisions relating to LPN Reference Entities: Credit Linked Condition 18: [Applicable][Not applicable]
- (xxvi) Redemption on failure to identify a Substitute Reference Obligation: [Applicable][Not applicable]

### ***Terms relating to Cash Settlement***

***(delete section and renumber if not applicable as Settlement Method or Fallback Settlement Method)***

- (xxvii) Valuation Date: [Applicable][Not applicable]  
 [Single Valuation Date: [specify] Business Days]  
 [Multiple Valuation Dates: [specify] Business Days; and each [specify] Business Days thereafter; Number of Valuation Dates: [specify]]
- (xxviii) Valuation Time: [specify][As per Credit Linked Condition 13]
- (xxix) Indicative Quotations: [Applicable][Not applicable]
- (xxx) Quotation Method: [Bid][Offer][Mid-market][As per Credit Linked Condition 13]

## FORM OF FINAL TERMS

- (xxxix) Quotation Amount: ☐[specify][Representative Amount][Credit Linked Conditions apply]
- (xxxix) Minimum Quotation Amount: ☐[specify] [As set out in Credit Linked Condition 13]
- (xxxix) Quotation Dealers: ☐[specify]
- (xxxix) Quotations: ☐[Include Accrued Interest][Exclude Accrued Interest]
- (xxxix) Valuation Method: ☐[Market][Highest]
- ☐[Average Market/Highest][Average Highest]
- ☐[Blended Market][Blended Highest]
- ☐[Average Blended Market][Average Blended Highest]
- ☐[As set out in Credit Linked Condition 13]

### ***Additional terms relating to Auction Settlement***

***(delete section and renumber if not applicable as Settlement Method or Fallback Method)***

- (xxxvi) Fallback Settlement Method: ☐[Cash Settlement][Physical Delivery]
- (xxxvii) Successor Backstop Date subject to adjustment in accordance with Business Day Convention: ☐[Yes][No]
- (xxxviii) Limitation Dates subject to adjustment in accordance with Business Day Convention: ☐[Yes][No]

### ***Terms relating to Physical Delivery***

***(delete section and renumber if not applicable as Settlement Method or Fallback Settlement Method but note may be needed for Auction elections in which case do not delete)***

- (xxxix) Physical Settlement Period: ☐[[specify] Business Days][Not applicable]
- (xl) Accrued Interest on Entitlement: ☐[Include Accrued Interest][Exclude Accrued Interest][Not applicable]
- (xli) Settlement Currency: ☐[specify][Not applicable]
- (xlii) Deliverable Obligations:
- (a) Deliverable Obligation Category: ☐[Payment] ☐[Borrowed Money] ☐[Reference Obligations Only] ☐[Bond] ☐[Loan] ☐[Bond or Loan][As per the Physical Settlement Matrix][Not applicable]

*(select one only)*

## FORM OF FINAL TERMS

(b)	Deliverable Obligation Characteristics:	[Not Subordinated][Specified Currency: [ <i>specify currency</i> /Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: [ <i>specify currency</i> ]] [Not Domestic Law] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Listed] [ <i>specify</i> ] [Maximum Maturity: [ ] years] [Accelerated or Matured] [Not Bearer][As per the Physical Settlement Matrix] [Not applicable]
Asset Package Delivery:		[Applicable][Not Applicable] [As per Physical Settlement Matrix]
(xliii)	Additional Deliverable Obligation(s):	[ <i>specify</i> ] [Not applicable]
(a)	Excluded Deliverable Obligation(s):	[ <i>specify</i> ] [Not applicable]
(b)	Indicative Quotations:	[Applicable][Not applicable]
(c)	Delivery provisions for Entitlement if different from General Conditions and Credit Linked Conditions:	[ <i>specify</i> ] [Not applicable]
(xliv)	Restructuring Maturity Limitation and Fully Transferable Obligation Applicable:	[Applicable][Not applicable]
(xlv)	Modified Restructuring Limitation and Conditionality Transferrable Obligation Applicable:	[Applicable][Not applicable]
(xlvi)	Reference Obligation Only Termination Amount:	[ <i>specify</i> ][Not applicable]
(xlvii) Qualifying Participation Seller:		[ <i>specify</i> ] [Not applicable]

### **Terms relating to Zero/Set Recovery Notes**

*(delete section and renumber if not applicable)*

(xlviii)	Set/Zero Recovery Price:	[Insert percentage in relation to each Reference Entity, which may be zero]
----------	--------------------------	---

### **Terms relating to Tranched Linear Basket Credit Linked Notes**

*(delete section and renumber if not applicable)*

(xlix)	H	[insert number of Reference Entities that are equal to the
--------	---	--

## FORM OF FINAL TERMS

		<i>higher tranche level]</i>
(l)	L	<i>[insert number of Reference Entities that are equal to the lower tranche level]</i>
<b>39.</b>	<b>Foreign Exchange (FX) Rate Linked Redemption:</b>	[Applicable][Not applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
		<i>(In respect of Credit Linked Notes) [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]</i>
(i)	Base Currency:	<i>[specify][Not applicable][For Reference Item[(k)]: [insert]]</i>
(ii)	Subject Currency/Currencies:	<i>[specify][Not applicable][For Reference Item[(k)]: [insert]] [and EM Foreign Exchange Rate Provisions apply to such Subject Currency]</i>
(iii)	Additional Disruption Event:	<i>(Specify each of the following which applies) [Change in Law][Hedging Disruption][Increased Cost of Hedging]</i>  <i>[Trade Date means [specify]]</i>  <i>(insert where Change in Law applies)</i>
(iv)	Averaging:	<i>Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [specify]] [See paragraph [specify] above]</i>
(v)	Observation Date(s):	<i>[specify][Not applicable]</i>
(vi)	Observation Period(s):	<i>[specify][Not applicable]</i>
(vii)	Strike Date:	<i>[specify][Not applicable]</i>
(viii)	Strike Period [and Strike Days]:	<i>[Specify Strike Period][Not applicable][Specify the applicable Strike Days in the Strike Period]</i>
(ix)	Redemption Valuation Date:	<i>[Specify][Not applicable]</i>
(x)	Provisions applicable where EM Foreign Exchange (FX) Rate Provisions do not apply to a Settlement Currency:	<i>[Applicable [in respect of [specify Subject Currencies to which these provisions apply where there is a Basket]]][Not applicable]</i>  <i>(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)</i>
(a)	Delayed Redemption on the Occurrence of a Disruption Event:	[Applicable][Not applicable]
(b)	Relevant Screen Page:	<i>[specify][Not applicable]</i>

## FORM OF FINAL TERMS

- (c) Specified Maximum Days of Disruption: [Specified Maximum Days of Disruption will be equal to: *[specify]*][five]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (d) Price Source: *[specify]*
- (e) Valuation Time: *[specify]*
- (xi) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions apply: [Applicable [in respect of *[specify Subject Currencies to which these provisions apply where there is a Basket]*][Not applicable]
- (Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)*
- (a) Provisions applicable to determining the Settlement Price: For the purpose of the definition of Settlement Price in Foreign Exchange (FX) Rate Linked Note Condition 6 [and *[specify the relevant Subject Currency where more than one Subject Currency]*]:
- EM FX Price Source: *[specify]*
- EM Valuation Time: *[specify]*
- EM Scheduled Trading Day Jurisdiction: *[specify]*
- (b) EM Disruption Events: [Price Source Disruption]
- [Illiquidity Disruption]
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Material Change in Circumstance]
- [Nationalisation]
- [Price Materiality, where:
- EM Price Materiality Percentage: *[specify]*][3] per cent.
- EM Primary Rate: *[specify]*][The rate determined as set out in the definition of Settlement Price]
- EM Secondary Rate: *[specify]*][EM First Fallback Reference Price [and]][EM Second Fallback Reference Price]

## FORM OF FINAL TERMS

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Events (or components thereof) also apply thereto)*

(c) EM Disruption Fallbacks: [EM Calculation Agent Determination]

[EM First Fallback Reference Price, where:

First Fallback EM FX Price Source: *[specify]*

First Fallback EM Valuation Time: *[specify]*

First Fallback EM Number of Settlement Days: *[specify]*

[EM Second Fallback Reference Price, where:

Second Fallback EM FX Price Source: *[specify]*

Second Fallback EM Valuation Time: *[specify]*

Second Fallback EM Number of Settlement Days: *[specify]*

[EM Valuation Postponement]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(d) EM Maximum Days of Postponement: *[specify]*

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(e) EM Cumulative Events: [Not applicable][Applicable and EM Maximum Cumulative Days of Postponement means *[specify]*]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(f) EM Number of Settlement Days: [Two][Zero]*[specify other number of days]* [where Settlement Day Centre(s) means *[specify]*]

(g) EM Number of Postponement [[Two]*[specify]*] [Business Days][EM Settlement Days]



## FORM OF FINAL TERMS

- Settlement Days: [specify]
- 40. Combination Note Redemption:** [Applicable][Not applicable]
- (Applicable in relation to Reference Item Notes linked to a combination of types of Reference Items)*
- (If applicable, complete relevant prompts from Paragraphs [35] to [39] above)*
- 41. Provisions applicable to Instalment Notes:** [Applicable][Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Instalment Amounts: [specify]
- (ii) Instalment Dates: [specify]
- 42. Provisions applicable to Physical Delivery:** [Applicable][in accordance with Credit Linked Conditions and paragraph [38] above][where the Issuer has exercised its option to vary settlement pursuant to the application of Variation of Settlement per paragraph 45 below][Not applicable]
- (If not applicable or the Notes are Credit Linked Notes, delete the remaining sub-paragraphs of this paragraph)*
- (i) Entitlement Amount: [Insert formula, relevant value(s) and other related definitions from Payout Condition 4][A nominal amount of the Relevant Asset equal to [specify]][Bond Asset provisions apply]
- (ii) Relevant Asset(s): [specify]
- (for bonds, include the following as applicable:)*
- [ISIN: [specify]]
- [Issuer: [specify]]
- [Maturity: [specify]]
- [Coupon: [specify]]
- (iii) Unwind Costs: [Applicable:[specify]][Standard Unwind Costs][Not applicable]
- (iv) Cut-off Date: [specify][As specified in General Condition 4(b)]
- (v) Settlement Business Day(s): [specify]
- (vi) Delivery Agent: [Banco Comercial Português, S.A.][Dealer][specify] of [specify address]
- (vii) Assessed Value Payment Amount: [Applicable][Not applicable]

## FORM OF FINAL TERMS

- (viii) Failure to Deliver due to Illiquidity: [Applicable][Not applicable]
43. **Provisions applicable to Partly Paid Notes; amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:** [Not Applicable][*give details*]
44. **Variation of Settlement:** The Issuer [has][does not have] the option to vary settlement in respect of the Notes as set out in General Condition 4(b)(ii) [The minimum period of notice is [*specify*]][and][the maximum period of notice is [*specify*]]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

45. **Form of Notes:** [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the permanent Global Note]]<sup>15</sup>
- [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date]<sup>16</sup>
- [Permanent Bearer Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]]<sup>17</sup>
- [Book Entry Notes: *nominativas*/Book Entry Notes: *ao portador*]
46. **New Global Note:**<sup>18</sup> [Yes][No]
47. (i) Financial Centre(s): [Not applicable][*give details*]
- (ii) Additional Business Centre(s): [Not applicable] [*specify*] (*Note that this paragraph relates to the place of payment and not interest period end dates. All relevant Financial Centre(s) (including the location of the relevant agent(s)) should be included other than Target*)
48. **Talons for future Coupons or Receipts to be** [Yes as the Notes have more than 27 Coupon payments,

<sup>15</sup> In relation to any Tranche of Notes which are expressed to be issued in denominations of EUR100,000 and integral multiples of EUR 1,000 the Global Note will not be exchangeable at the option of the holder.

<sup>16</sup> In relation to any Tranche of Notes which are expressed to be issued in denominations of EUR100,000 and integral multiples of EUR 1,000 the Global Note will not be exchangeable at the option of the holder.

<sup>17</sup> In relation to any Tranche of Notes which are expressed to be issued in denominations of EUR100,000 and integral multiples of EUR 1,000 the Global Note will not be exchangeable at the option of the holder.

<sup>18</sup> You should only elect "yes" opposite "New Global Note" if you have elected "yes" to the section in Part B under the heading "Operational Information" entitled "Intended to be held in a manner which would allow Eurosystem eligibility".

## FORM OF FINAL TERMS

**attached to definitive Notes (and dates on which such Talons mature):**

Talons may be required if, on exchange into definitive form, more than 27 Coupons are still to be made][No]

49. **Redenomination, renominalisation and reconventioning provisions:**

[Not applicable][The provisions in General Condition 7 apply]

*[N.B.: Only applicable for Notes not denominated in EUR]*

## RESPONSIBILITY

[The Issuer accept responsibility for the information contained in these Final Terms. *[Insert relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components]* has been extracted from *[specify source]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

Duly authorised

## FORM OF FINAL TERMS

### PART B - OTHER INFORMATION

#### 1 Listing and Admission to trading

[Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its Regulated Market with effect from [ ].] [Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the [Euronext Lisbon/London Stock Exchange and listing on the Official List of the UK Listing Authority] with effect from [ ].] [Not Applicable]

[Not applicable]

*(Unless the minimum denomination of the Notes is €100,000 or more (or its equivalent in the relevant currency as at the date of issue) and the Notes are Derivative Securities, indicate in the case of a fungible issue that original Notes are already admitted to trading)*

[Estimate of total expense related to admission of trading: *[specify]*]

*(Delete if the minimum Denomination is less than €100,000 (or its equivalent in any other currency as at the date of issue) or if the Notes are Derivative Securities)*

#### 2 Ratings

Ratings:

[The Notes have not been rated.] [The rating of the Issuer is *[specify]*]

[The Notes to be issued *[[have been][are expected to be]]* rated:]

[S&P:\**[specify]*]

[Moody's:\**[specify]*]

[Other\*]: *[specify]*

*(Delete the rest of this paragraph 2 unless the Notes are to be listed on a regulated market)*

*[[Inserting rating agency]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such *[[Insert rating agency]* is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

*[[Insert the legal name of relevant non-EU credit rating*

## FORM OF FINAL TERMS

*agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings have been endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU-registered credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*] may be used in the EU by the relevant market participants.]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [[is]/[has applied to be]] certified in accordance with the CRA Regulation [[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority [and [*insert the legal name of the relevant*

## FORM OF FINAL TERMS

*credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*] may be used in the EU by the relevant market participants.]]<sup>19</sup>

### 3 [Interests of Natural and Legal Persons Involved in the Issue

[Save for any fees payable to the Dealer[s]], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.] [A fee has been paid by the Dealer to a third party [distributor]. For specific and detailed information on the nature and quantity of such fee, the investor should contact the [distributor][*specify*] in respect of the Notes][The Notes have been sold by the Dealer to a third party [distributor] at a discount to the specified issue price. For specific and detailed information on the nature and quantity of such discount, the investor should contact the [distributor][*specify*] in respect of the Notes]

*(When completing, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the prospectus Directive)*

---

<sup>19</sup>

Repeat for each credit rating.

## FORM OF FINAL TERMS

### 4 Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- (i) Reasons for the offer: [See "Use of Proceeds" section in the Base Prospectus][insert details] (if reasons for offer different from making profit and/or hedging certain rights will need to include those reasons here and then also complete (ii) and (iii) below.)
- (ii) Estimated net proceeds: [specify]
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- (iii) Estimated total expenses: [specify]
- (Include breakdown of expenses into each principal intended "use", presented in order of priority of such "uses")
- (N.B.: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) are also required.)

### 5 Yield - Fixed Rate Notes Only

[Not applicable]<sup>20</sup>

Indication of yield: [specify]

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

### 6 Historic Rates of Interest - Floating Rate Notes Only

[Not applicable]<sup>21</sup>

Details of historic [LIBOR][EURIBOR] [specify CMS Rate] rates can be obtained from [Reuters and/or Bloomberg]

### 7 [Performance of [Index][Share][Inflation][Foreign Exchange Rate][Fund][Reference Entity/Entities][Formula], Explanation of Effect on Value of Investment and Other Information concerning the Underlying

[Not applicable]<sup>22</sup>

<sup>20</sup> Delete this section in the case of Notes which are not Fixed Rate Notes or are derivative securities for the purposes of the Prospectus Directive.

<sup>21</sup> Delete this section in the case of Notes with a denomination of €100,000 or more (or its equivalent in the relevant currency as at the date of issue).

## FORM OF FINAL TERMS

*(Need to include details of where past and future performance and volatility of the index/formula/commodity/rates/reference entity/fund/other variable can be obtained and a clear and comprehensive explanation.)*

*[Where the underlying is an index, include the name of the index and details of where the information about the index can be obtained.]<sup>23</sup>*

*[Where the underlying is a security, include the name of the issuer of the security and the ISIN or equivalent identification number.]*

*[Where the underlying is a basket of underlying, include the relevant weightings of each underlying in the basket.]*

*(Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable).)*

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

### 8 Operational Information

- |        |  |  |
|--------|--|--|
| (i)    | ISIN Code:   | [specify]  |
| (ii)   | Common Code:   | [specify]  |
| (iii)  | Valoren Code:  | [specify][Not applicable]  |
| (iv)   | Other Code(s):   | [specify][Not applicable]  |
| (v)    | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg approved by the Issuer and the Principal Paying Agent and the relevant identification number(s): | [Not applicable][give name(s)]   |
| (vi)   | Delivery:  | Delivery [against][free of] payment  |
| (vii)  | Additional Paying Agent(s) (if any):   | [specify]  |
| (viii) | Intended to be held in a manner which would allow Eurosystem eligibility   | <p>[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 does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday 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.]</p> <p>[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be registered with</p> |

<sup>22</sup> Delete this section in the case of Notes with a denomination of €100,000 or more (or its equivalent in the relevant currency as at the date of issue) or where the Notes are not derivative securities for the purposes of the Prospectus Directive.

<sup>23</sup> Required for derivative securities.



## FORM OF FINAL TERMS

Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. 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.]]

*(NB if "yes" selected the bearer Notes must be issued in NGN form)*

### 9 DISTRIBUTION

- 9.1 Method of distribution: [Syndicated][Non-syndicated]
- 9.2 (i) If syndicated, names [and addresses] of Managers [and underwriting commitments/quotas (material features): [Not applicable][*give names [and addresses] of each entity acting as underwriter [and its respective underwriting commitments]*]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
- (ii) Date/Description of Subscription Agreement: [insert details][Not applicable]
- (iii) Stabilisation Manager(s) (if any): [Not applicable][*give name*]
- 9.3 If non-syndicated, name [and address] of relevant Dealer: [Not applicable][*give name [and address]*]

[The Issuer reserves the right to appoint other distributors during the Offer Period, which will be communicated to investors by means of a notice published as specified in paragraph *[specify]*.]

[No underwriting commitment is undertaken by the Distributor.]

## FORM OF FINAL TERMS

### 9.4 U.S. Selling Restrictions:

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold, pledged, assigned, delivered or otherwise transferred, exercised or redeemed, at any time, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

Each Dealer (1) has acknowledged that the Notes have not been and will not be registered under the Securities Act, or any securities laws of any state or other jurisdiction in the United States, and the Notes are not being offered, sold or delivered and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons; (2) has represented, as a condition to acquiring any interest in the Notes, that neither it nor any persons on whose behalf or for whose account or benefit the Notes are being acquired is a U.S. Person, that it is not located in the United States, and was not solicited to purchase Notes while present in the United States; (3) has agreed not to offer, sell or deliver any of the Notes, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person; and (4) has agreed that, at or prior to confirmation of sale of any Notes (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it a written notice containing language substantially the same as the foregoing. As used herein, "United States" means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Dealers have represented and agreed that they have not offered or sold Notes and will not offer or sell Notes at any time except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Dealers have represented and agreed that neither they, their affiliates (if any) nor any person acting on behalf of any of them has engaged or will engage in any directed selling efforts with respect to Notes, and they have all complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them in Regulation S.

An offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act.

Reg. S Compliance Category 2; [TEFRA D][TEFRA

## FORM OF FINAL TERMS

C][TEFRA not applicable]

- 9.5 Additional U.S. Federal Income Tax Considerations: [The Notes are [not] Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986. [Additional information regarding the application of Section 871(m) to the Notes will be available from [give name(s) and address(es) of Issuer contact].]] *(The Notes will not be Specified Notes if they (i) are issued prior to January 1, 2018 and provide a return that differs significantly from the return on an investment in the underlying 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, 2018 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 Specified Notes, include the "Additional information" sentence and provide the appropriate contact information at the Issuer.)*
- 9.6 Non-Exempt Offer: [Applicable] [Not Applicable](if not applicable, delete the remaining placeholders of this paragraph 9.6 and also paragraph [10] below).
- Non-exempt Offer Jurisdictions: [specify relevant Member State(s) where the Issuer intends to make Non-exempt Offers (where the Base Prospectus lists the Non-exempt Offer Jurisdictions, select from that list), which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)]
- Offer Period: [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [specify] Business Days thereafter"]
- Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the Conditions in it: [Insert names and addresses of financial intermediaries receiving consent (specific consent)]
- (N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the Base Prospectus (and any supplement) has been notified / passported.)*

## 10 Terms and Conditions of the Offer

[Applicable][Not applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* [The Notes will be offered to the public in each Non-exempt Offer Jurisdictions in accordance with the arrangements listed below.]

## FORM OF FINAL TERMS

10.1	Offer Price:	[Not applicable][See 10.11 below][give details]
10.2	[Conditions to which the offer is subject:]	[Not applicable][give details]  [Offers of the Notes are conditional on their issue and are subject to such conditions as are set out in the [Distribution Agreement], As between Dealers and their customers (including Authorised Offerors) or between Authorised Offerors and their customers offers of the Notes are further subject to such conditions as may be agreed between them and/or as is specified in any arrangements in place between them.]
10.3	[Description of the application process:]	[Not applicable][give details]
10.4	[Details of the minimum and/or maximum amount of application:]	[Not applicable][give details]
10.5	[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:]	[Not applicable][give details]
10.6	[Details of the method and time limits for paying up and delivering the Notes:]	[Not applicable][give details]  (NB: Under normal circumstances, on the Issue Date, allocated Notes will be made available to the Dealer(s)/Authorised Offerors in such account as may be held by them directly or indirectly at Euroclear or Clearstream. Luxembourg.)
10.7	[Manner in and date on which results of the offer are to be made public:]	[Not applicable][give details]  (If applicable (i) specify date on which the final size of the issue will be made public and (ii) insert specific details in respect of the method of publication (including, where relevant, details of any advertisements to be published).)
10.8	[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercise:]	[Not applicable][give details]
10.9	[Whether tranche(s) have been reserved for certain countries:]	[Not applicable][give details]
10.10	Indication of the expected price at which the Notes will be offered or the method of determining the price and the process for its disclosure:	[Not applicable] [The Issuer had offered and will sell the Notes to the Dealer(s) (and no one else) at the Issue Price of [specify] [less a total commission of [specify]]. The Dealer(s) and Authorised Offerors will offer and sell the Notes to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Authorised Offers) or each such Authorised Offeror and its customers by reference to the Issue Price and the market conditions prevailing at the

## FORM OF FINAL TERMS

time.]

- |       |   |  |
|-------|---|--|
| 10.11 | [Process for notification to applications of the amount allotted and the indication whether dealing may begin before notification is made:] | [Not applicable][ <i>give details</i> ]<br><br>[Prospective Noteholders will be notified by the relevant Dealer(s) and Authorised Offeror in accordance with the arrangements in place between such Dealer(s) or Authorised Offeror and its customers. Any dealing in the Notes, which take place will be at the risk of the prospective Noteholders.] |
| 10.12 | [Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]   | [Not applicable][ <i>give details</i> ]  |
| 10.13 | [Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.]          | [The Authorised Offerors are identified in 9.6 above and identifiable from the Base Prospectus]/[None]/[ <i>give details</i> ].  |

### 11 [Index/Other Disclaimer]

The issue of this series of Notes (in this paragraph, the "Transaction") is not sponsored, endorsed, sold, or promoted by [NAME OF INDEX/OTHER] (the "Index") or [NAME OF INDEX/OTHER SPONSOR] (the "Index Sponsor") and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any Transaction. The Issuer shall not have any liability for any act of failure to act by the Index Sponsor in connection with the calculation adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date, none of the Issuer or its affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.]

*(Insert unless the relevant Index has a bespoke disclaimer, in which case, substitute such bespoke disclaimer)*

*(Delete this section 11 if not required)*

[[The Issuer is only offering to and selling to the Dealer(s) pursuant to and in accordance with the terms of the [Programme Terms]. All sales to persons other than the Dealer(s) will be made by the Dealer(s) or persons to whom they sell, and/or otherwise make arrangements with, including the Financial Intermediaries. The Issuer shall not be liable for any offers, sales or purchase of Notes by the Dealer(s) or Financial Intermediaries in accordance with the arrangements in place between any such Dealer or any such Financial Intermediary and its customers.]

[[Each [of] the Dealer(s) has acknowledged and agreed, and any Financial Intermediary will be required by the Dealer(s) to acknowledge and agree, that for the purpose of offer(s) of the Notes, the Issuer has passported the Base Prospectus in each of the Non-exempt Offer Jurisdictions and will not passport the Base Prospectus into any other European Economic Area Member State; accordingly, the Notes may only be publicly offered in Non-exempt Offer Jurisdictions or offered to Qualified Investors (as defined in the Prospectus Directive) in any other European Economic Area Member States and that all offers of Notes by it will be made only in accordance with the selling restrictions set forth in the Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and

## FORM OF FINAL TERMS

regulations.]<sup>24</sup>].

Financial intermediaries seeking to rely on the Base Prospectus and any Final Terms to resell or place Notes as permitted by article 3.2 of the 2010 PD Amending Directive must obtain prior written consent from the Issuer; nothing herein is to be understood as a waiver of such requirement for prior written consent.]<sup>25</sup>

---

<sup>24</sup> Delete unless for a public offer.

<sup>25</sup> Delete in respect of Notes with a denomination of at least €100,000 (or equivalent in another currency)

## **SUMMARY FORM OF FINAL NOTES**

### **SUMMARY OF NOTES**

*[Insert completed summary for the Notes, unless minimum denomination is equal to or greater than €100,000 (or its equivalent in any other currency)]*

## FORM OF PRICING SUPPLEMENT

### FORM OF PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.*

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.**

[Date]

### PRICING SUPPLEMENT

**BANCO COMERCIAL PORTUGUÊS, S.A.**  
*(a company with limited liability incorporated under Portuguese law)*  
(as "**Issuer**")

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "**Notes**")

under the €2,000,000,000  
Structured Medium Term Note Programme

These Notes are not intended for, and are not to be offered to, the public in any jurisdiction of the EEA

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or the Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

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

### PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the General Conditions of the Notes (and, together with the applicable Annex(es), the "**Conditions**") set forth in the Base Prospectus dated 3 March 2017 [and the supplement[s] to it dated [date] [and [date]] (which [together] constitute[s] the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein. This document must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland (<http://www.centralbank.ie>).]

[<sup>26</sup>Terms used herein shall be deemed to be defined as such for the purposes of the General Conditions of the Notes (and, together with the applicable Annex(es), the "**Conditions**") set forth in the Base Prospectus dated [original date] which are incorporated by reference in the Base Prospectus dated [current date]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this

---

<sup>26</sup> The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date. *N.B. when using a post – 1 July 2012 approved Base Prospectus to tap a previous issue under a pre – 1 July 2012 approved Base Prospectus, the final terms in the post – 1 July 2012 Base Prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.*



## FORM OF PRICING SUPPLEMENT

Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the websites of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the Central Bank of Ireland (<http://www.centralbank.ie>).]

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any State or other jurisdiction of the United States, and the Notes may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person. Furthermore, the Notes do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the U.S. Commodity Exchange Act, as amended (the "**CEA**"), and trading in the Notes has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the CEA, and no U.S. person may at any time trade or maintain a position in the Notes. For a description of the restrictions on offers and sales of the Notes, see "*Subscription and Sale*" in the Base Prospectus.

As used herein, "**U.S. person**" includes any "**U.S. person**" or person that is not a "**non-United States person**" as either such term may be defined in Regulation S or in regulations adopted under the CEA.

[This Pricing Supplement may be considered a structured product in Switzerland. They are not collective investment schemes within the meaning of the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). Accordingly, they are not subject to the supervision of the Swiss Financial Market Supervisory Authority, FINMA. [The Notes are not being distributed to non-qualified investors in or from Switzerland and neither this Pricing Supplement nor any offering materials relating to the Notes may be available to non-qualified investors in or from Switzerland. Distribution of the Notes of this Pricing Supplement in or from Switzerland is only made by way of private placement to, and is directed exclusively at, qualified investors (as defined in the CISA and its implementing ordinance). Each copy of this Pricing Supplement is addressed to a specifically named recipient and shall not be passed on to a third party.]<sup>27</sup><sup>28</sup>

*Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement. Where the context so permits, Terms in this Pricing Supplement may be attributed a numerical or letter suffix value when included hereon. Without limitation, the suffix can be denoted as "j", "k", "m", "q", "n", "t" or "i" and the term may be completed on the basis of the number or numbers represented by j, k, m, q, n, t or i, as chosen at the time of an issue of Notes. When applicable and in order to improve the reading and intelligibility of the formula(e) in the Pricing Supplement, the applicable suffixes may be included, completed and explained and may be presented as a table, if necessary, in the Pricing Supplement.*

- |    |     |  |  |
|----|-----|--|--|
| 1. | (a) | Issuer:  | Banco Comercial Português, S.A.  |
|    | (b) | [Principal Paying Agent][Portuguese Paying Agent]:                     | [Banco Comercial Português, S.A.][specify name]  |
|    | (c) | Calculation Agent:   | [Banco Comercial Português, S.A.][specify name]  |
| 2. | (a) | Series Number:   | [specify]  |
|    | (b) | Tranche Number:  | [specify]  |
|    | (c) | Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date][the date that is 40 days after the Issue |

<sup>27</sup> Delete where offer intended to non-qualified investors in or from Switzerland.

<sup>28</sup> Delete where no offer into Switzerland is intended.

## FORM OF PRICING SUPPLEMENT

Date][exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 46 below, which is expected to occur on or about *[date]*][Not applicable]

- (d) Applicable Annex(es): [Not applicable]  
[Annex 1: Additional Terms and Conditions for Payouts]  
[Annex 2: Additional Terms and Conditions for Index Linked Notes]  
[Annex 3: Additional Terms and Conditions for Equity Linked Notes]  
[Annex 4: Additional Terms and Conditions for Inflation Linked Notes]  
[Annex 5: Additional Terms and Conditions for Fund Linked Notes]  
[Annex 6: Additional Terms and Conditions for Foreign Exchange (FX) Rate Linked Notes]  
[Annex 7: Additional Terms and Conditions for Credit Linked Notes]  
  
*(More than one Annex may apply)*
3. Specified Notes Currency or Currencies: *[specify]* [(the "**SER Subject Currency**") for the purpose of the Specified Denomination and calculations [and payments other than those to which the Settlement Exchange Rate Provisions are specified to apply;] and (payments [to which the Settlement Exchange Rate Provisions are specified to apply] shall be made in *[specify]* (the "**Settlement Currency**")]
4. Aggregate Nominal Amount:
- (a) Series: *[specify]*  
  
[The Notes are Partly Paid Notes and [(For Partly Paid Notes, specify the dates and amounts for the payment of aggregate nominal amount)]]
- (b) Tranche: *[specify]*
5. Issue Price: *[specify]* per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)] [converted into the Settlement Currency at the Initial SER, being *[specify amount]* in respect of the Aggregate Nominal Amount where "**Initial SER**" means *[specify]*]
6. (a) Specified Denomination(s): *[specify]*
- (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): *[specify]* [(Insert the following in the case of *Instalment Notes*): (the "**Original Calculation Amount**") minus, for the purposes of any calculation by reference to the Calculation Amount on any day,

## FORM OF PRICING SUPPLEMENT

the sum of the Instalment Amounts paid prior to the relevant day [save for the purposes of calculation of any [Interest Amount][Final Redemption Amount][Early Redemption Amount][Automatic Early Redemption Amount][Optional Redemption Amount][Entitlement Amount] [[payable][deliverable] on [specify]] for which purposes the Original Calculation Amount will continue to apply.]

*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (a) Issue Date: [specify]
- (b) Interest Commencement Date: [specify][Issue Date][Not applicable]

*(An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

8. Maturity Date: [The Interest Payment Date falling on or nearest to] [specify][or if that is not a Business Day the immediately [succeeding][preceding] Business Day [unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day] [(the "**Scheduled Maturity Date**") [or such [later] date for redemption determined as provided in the [[Fund Linked][Credit Linked Conditions][or, in all circumstances if applicable, such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Payout Condition 6.]

9. Interest Basis: [[specify] [per cent.] [per annum] Fixed Rate]  
[[LIBOR][EURIBOR][specify CMS Rate][specify]  
[+/- [specify] per cent.] Floating Rate]  
[Specified Interest Amount]  
[Zero Coupon]

[Reference Item Linked Interest:  
*(specify one or more of the following)*

[Index Linked Interest]  
[Equity Linked Interest]  
[Inflation Linked Interest]  
[Reference Item Rate Linked Interest]  
[Fund Linked Interest]  
[Foreign Exchange (FX) Rate Linked Interest]  
[Combination Interest]]  
[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]][only in the specific circumstance set out in the

## FORM OF PRICING SUPPLEMENT

Interest Rate Payout Formula]]  
(See paragraph 17 below)

[Not applicable]

**10.** Redemption basis:

[Redemption at [par][specify][see paragraph 29 (Final Redemption Amount:) below]  
[Index Linked Redemption]  
[Equity Linked Redemption]  
[Inflation Linked Redemption]  
[Reference Item Rate Linked Redemption]  
[Fund Linked Redemption]  
[Credit Linked Redemption]  
[Foreign Exchange (FX) Rate Linked Redemption]  
[Combination Redemption]  
[Instalment]  
[and converted into the Settlement Currency by reference to the applicable Settlement Exchange Rate]  
[only in the specific circumstances set out in the Final Payout Formula] (see paragraph 13 below) [subject to Variation of Settlement, (see paragraph 45 below)]

**11.** Reference Item(s):

[The following Reference Item(s)][(k)] [(from [k] = 1 to [[k][specify]])] will apply [for [Interest][and][Redemption] determination purposes:][Not applicable]

[For [k]=1][specify][insert description][(see paragraph [specify])]

(Repeat if necessary)

[and]

[The following Reference Item(s)][(k)] [(from [k] = [specify] to [k] = [specify])] will apply [for [Redemption] determination purposes]:

[For [k]=[specify]][specify][insert description][(see paragraph [specify])]

(Repeat if necessary)

**12.** Put/Call Options:

[Not applicable]

[Noteholder Put Option]  
[Issuer Call Option]  
[(see paragraph[s] [32][33] below)]

**13.** Settlement Exchange Rate Provisions:

[Not applicable][Applicable [in respect of][all payments] [payments of [Interest][Principal] only][only those payments to which the Settlement Exchange Rate Provisions are specified to apply.]

## FORM OF PRICING SUPPLEMENT

[(see paragraph[s] *[specify]* below)]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Settlement Exchange Rate: *[Specify rate]* [As per Payout Condition 6]
- (if a rate is specified then delete the remaining subparagraphs of this paragraph).*
- (ii) SER Valuation Date(s): *[specify]* *[[specify] SER Scheduled Trading Days prior to the [scheduled] [specify each payment date]]*
- (where different SER Valuation Dates apply to different payment dates, specify in respect of each applicable payment date)*
- (iii) Provisions applicable to determining the Settlement Exchange Rate: For the purpose of the definition of Settlement Exchange Rate in Payout Condition 6:
- SER Price Source: *[specify]*
- SER Valuation Time: *[specify]*
- SER Scheduled Trading Day Jurisdiction: *[specify]*
- (iv) SER Disruption Events: [Price Source Disruption]
- [Illiquidity Disruption]
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Material Change in Circumstance]
- [Nationalisation]
- [Price Materiality, where:
- SER Price Materiality Percentage:  
*[specify]* [3] per cent.
- SER Primary Rate: *[specify]* [The rate determined as set out in the definition of Settlement Exchange Rate]
- SER Secondary Rate: *[specify]* [SER First Fallback Reference Price [and]] [SER Second Fallback Reference Price]
- (v) SER Disruption Fallbacks (for Price The following Disruption Fallbacks apply in the

## FORM OF PRICING SUPPLEMENT

Source Disruption and Price following order:  
Materiality only):

[Valuation Postponement]

SER Number of Postponement Settlement Days:  
[[Two][specify]] [Business Days][SER Settlement Days] [specify]

SER Maximum Days of Postponement: [specify]  
[First Fallback Reference Price, where:

SER First Fallback Price Source: [specify]

SER First Fallback Valuation Time: [specify]

SER First Fallback Number of Settlement Days: [specify]

[Second Fallback Reference Price, where:

SER Second Fallback Price Source: [specify]

SER Second Fallback Valuation Time: [specify]

SER Second Fallback Number of Settlement Days: [specify]

[Calculation Agent Determination] (*specify fallbacks required and arrange order in which to be applied*)

(vi) SER Cumulative Events: [Not applicable][Applicable and Maximum Cumulative Days of Postponement means [specify]]

(vii) SER Number of Settlement Days: [Two][Zero][specify other] [where SER Settlement Day Centre(s) means [specify]]

(viii) SER Additional Disruption Event: (*Specify each of the following which applies*) [Change in Law] [Hedging Disruption] [Increased Cost of Hedging]

[Trade Date means [specify]]

### 14. Knock-in Event:

[Not applicable][Applicable: Knock-in Value [in respect of [a/the] Knock-in Determination Day is [greater than][greater than or equal to][less than][less than or equal to] the Knock-in[Level][Price][[within][outside] the Knock-in Range] (*Only applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-in Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph*)

[The Reference Item Rate [1][2] is [greater][less] than [or equal to] the Knock-in Level]

(*Insert for Reference Item Linked Notes*)

## FORM OF PRICING SUPPLEMENT

- (i) Knock-in Value: *[insert definition from Payout Condition 5.2]*
- (ii) Knock-in Level/Knock-in Price: *[specify value or percentage]*
- (iii) Knock-in Range: From and *[including][excluding]* *[specify range of values, percentages, level, or prices etc]* to and *[including][excluding]* *[specify range of values, percentages, level, or prices etc]* *[Not applicable]*
- (iv) Knock-in Determination Day(s): *[specify][Each Scheduled Trading Day in the Knock-in Determination Period][Not applicable]*
- [In the event that a Knock-in Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply.]*
- (v) Knock-in Determination Period: *[specify][Not applicable]*
- (vi) Knock-in Period Beginning Date: *[specify][Not applicable]*
- (vii) Knock-in Period Beginning Date Scheduled Trading Day Convention: *[Applicable][Not applicable]*
- (viii) Knock-in Period Ending Date: *[specify][Not applicable]*
- (ix) Knock-in Period Ending Date Scheduled Trading Day Convention: *[Applicable][Not applicable]*
- (x) Knock-in Valuation Time: *[specify][Scheduled Closing Time][Any time on a Knock-in Determination Day][Not applicable]*
- 15. Knock-out Event:** *[Not applicable][Applicable: The Knock-out Value [in respect of [a/the] Knock-out Determination Day is [greater than][greater than or equal to][less than][less than or equal to] the Knock-out [Level][Price] [within] [outside] the Knock-out Range]*
- (Only applicable if a payment to be made in respect of the Notes is subject to a condition precedent that a Knock-out Event has occurred. If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- [The Reference Item Rate [1][2] is [greater][less] than [or equal to] the Knock-out Level]*
- (Insert for Reference Item Linked Notes)*
- (i) Knock-out Value: *[insert definition from Payout Condition 5.2]*
- (ii) Knock-out Level/Knock-out Price: *[specify value or percentage]*
- (iii) Knock-out Range: From and *[including][excluding]* *[specify range of values, percentages, level, or prices etc]* to and

## FORM OF PRICING SUPPLEMENT

- [including][excluding] *[specify range of values, percentages, level, or prices etc]* [Not applicable]
- (iv) Knock-out Determination Day(s): [[From and including][From and excluding][To and including][To but excluding]*[specify]*]
- [specify]* [Each Scheduled Trading Day in the Knock-out Determination Period] [Not applicable]
- [In the event that a Knock-out Determination Day is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply.]
- (v) Knock-out Determination Period: *[specify]* [Not applicable]
- (vi) Knock-out Period Beginning Date: *[specify]* [Not applicable]
- (vii) Knock-out Period Ending Date: *[specify]* [Not applicable]
- (viii) Knock-out Period Beginning Date Scheduled Trading Day Convention: [Applicable][Not applicable]
- (ix) Knock-out Period Ending Date Scheduled Trading Day Convention: [Applicable][Not applicable]
- (x) Knock-out Valuation Time: *[specify]* [Scheduled Closing Time][Any time on a Knock out Determination Day] [Not applicable]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16. Interest:** [Applicable][Not applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Period End Date(s): *[specify]* [General Condition 3(b)(i)(ii) applies] [Not applicable]
- (ii) Business Day Convention for Interest Period End Date(s): [Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention][Floating Rate Convention][Not applicable]
- (if unadjusted specify not applicable. If adjusted specify same Business Day Convention as for Interest Payment Dates)*
- (iii) Interest Payment Date(s): *[specify]* [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions].
- (iv) Business Day Convention for Interest Payment Date(s): [Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention][Floating Rate



## FORM OF PRICING SUPPLEMENT

Convention][Not applicable]

*(If a Business Day Convention is specified for Interest Period End Date(s), unless Interest Payment Date(s) is (are) expressed to be a number of Business Days after the relevant Interest Period End Final Date, Interest Payment Date(s) must be subject to the same Business Day Convention)*

(v) Minimum Interest Rate: [[specify]][per cent.][per annum]][Not applicable]

*(If a Minimum Interest Rate applies for each Interest Period, the Minimum Interest Rate shall be specified separately for each Interest Period)*

(vi) Maximum Interest Rate: [[specify]][per cent.][per annum]][Not applicable]

*(If a Maximum Interest Rate applies for each Interest Period, the Maximum Interest Rate shall be specified separately for each Interest Period.)*

(vii) Day Count Fraction: [30/360][Actual/Actual [(ICMA)][(ISDA)]]  
[Actual/365 [(Fixed)][(Sterling)]] [Actual/360]  
[30/360/] [360/360] [Bond Basis] [30E/360 [(ISDA)]]  
[Eurobond Basis] [1/1] [1] [Not applicable]

*(Where Actual/Actual ICMA is applicable, insert Determination Date(s) below)*

*(Repeat for each Interest Basis as necessary)*

(viii) Determination Date(s): [[specify]][in each year]][Not applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In which case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

(ix) Rate of Interest: [In respect of each Interest Payment Date [(from [specify] to [specify])][falling on][during the period from and including] [specify] [to and including [specify]] only]][Not applicable]]the Rate of Interest shall be determined by the Calculation Agent [as][in accordance with the following formula(s)]:

*(The above formulation may be repeated as necessary for each relevant interest type below)*

[Fixed Rate]

[Floating Rate]

*(In respect of the following, insert formula, relevant value(s) and other related definitions from Payout Condition 2.1 and relevant definitions from Payout Condition 5)*

## FORM OF PRICING SUPPLEMENT

[Rate of Interest (i)]  
[Rate of Interest (ii)]  
[Rate of Interest (iii)]  
[Rate of Interest (iv)]  
[Rate of Interest (v)]  
[Rate of Interest (vi)]  
[Rate of Interest (vii)]  
[Rate of Interest (viii)]  
[Rate of Interest (ix)]  
[Rate of Interest (x) – Range Accrual]  
[Rate of Interest (xi) – Digital One Barrier]  
[Rate of Interest (xii) – Strike Podium n Barriers]  
[Rate of Interest (xiii) – Ramses]  
[Rate of Interest (xiv) – Mozart]  
[Rate of Interest (xv) – Mozart Variable]  
[Rate of Interest (xvi) – Call with Individual Caps]  
[Rate of Interest (xvii) – Cappuccino]  
[Rate of Interest (xviii) – Best Replace]  
[Rate of Interest (xix) – Cliquet]  
[Rate of Interest (xx) – Cliquet Digital]  
[Rate of Interest (xxi) – Cliquet Digital Lock in]  
[Rate of Interest (xxii) – Digital Coupon One Condition Condition]  
[Rate of Interest (xxiii) – Digital Coupon Two Conditions]  
[Rate of Interest (xxiv) – TARN]  
[Rate of Interest (xxv) – Ratchet]  
[Rate of Interest (xxvi) – Multiplier]  
[Rate of Interest (xxvii) – Barrier Count Condition]  
[Rate of Interest (xxviii) – Podium]  
[Rate of Interest (xxix) – Compensation]  
[Rate of Interest (xxx) – Dual Currency Digital Coupon]  
[Rate of Interest (xxxi) – Lock-In Coupon Barrier]

*(If the Rate of Interest is calculated by reference to Reference Items, Valuation Dates, Observation Dates etc. or is otherwise calculated differently in respect of each Interest Payment Date, above options may be repeated and numerical suffixes may be used to clarify which Reference Item, Rate of Interest, Valuation Date, Observation Date etc. applies in respect of the corresponding Interest Payment Date)*

[Not applicable] *(insert for Specified Interest Amount Notes)*

### 17. Fixed Rate Note Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify]] only]] [Not applicable]

*(In respect of Credit Linked Notes) [, subject to the*

## FORM OF PRICING SUPPLEMENT

provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

*(If more than one fixed rate is to be determined repeat items (i) to (iii) of this paragraph for each such rate and, if Digital Coupon One Condition of Digital Coupon two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate(s) of Interest: [[specify] [per cent. [per annum] payable [annually][semi-annually][quarterly][monthly] in arrear on each Interest Payment Date][Not applicable]

*(Amend appropriately in the case of irregular coupons)*

- (ii) Fixed Coupon Amount(s): [[specify] per Calculation Amount][Not applicable]

- (iii) Broken Amount(s): [[specify] per Calculation Amount, payable on the Interest Payment Date[s] falling [in][on][specify]][Not applicable]

### 18. Floating Rate Note Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify] only]][Not applicable] [for purposes only of determining the "Rate" element of the Rate of Interest specified in item 17(ix)] *(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix))*

*(In respect of Credit Linked Notes) [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]*

*(If more than one floating rate is to be determined, repeat items [Specify] to [Specify] for each such rate and, if Digital Coupon One Condition of Digital Coupon two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Specified Period(s): [specify length of period] [Not applicable]
- (ii) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination][ISDA Determination]

## FORM OF PRICING SUPPLEMENT

- (iii) Screen Rate Determination: [Applicable][Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Reference Rate: [specify period] [month] [year] [LIBOR] [EURIBOR] [CMS Rate with a Designated Maturity of [insert years]] [specify Government Bond Yield Rate] [specify TEC Rate] [with a Designated Maturity of [insert year]]
- (b) Interest Determination Date(s): [specify]
- (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (c) Specified Time: [specify]
- (which will be 11:00 am, London time, in the case of LIBOR, or 11:00 am, Brussels time, in the case of EURIBOR)*
- (d) Relevant Screen Page: [specify] *(to be determined in accordance with General Condition 4(b)(iv))*
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (iv) ISDA Determination: [Applicable][Not applicable]
- (a) Floating Rate Option: [specify]
- (b) Designated Maturity: [specify]
- (c) Reset Date: [specify]
- (v) Linear Interpolation: [Not Applicable][Applicable - the Rate of Interest for the [long][short] [first][last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (vi) Margin(s): [[+/-][specify]][per cent][per annum][Not applicable]
- (If a Margin applies for each Interest Period, the Margin shall be specified separately for each Interest Period)*

**19. Specified Interest Amount Note** [Applicable][Not applicable] *(If not applicable delete*

## FORM OF PRICING SUPPLEMENT

### Provisions:

*the remaining subparagraphs of this paragraph)*

- (i) Specified Interest Amount(s): [In respect of the [following] Specified Interest Payment Dates [from and including [[specify] to and including [specify]]], [specify] per Calculation Amount

*(repeat as necessary)*

- (ii) Specified Interest Payment Date(s): [specify][[Each][The] Interest Payment Date falling on or nearest to] [specify][from and including [the Interest Payment Date falling on or nearest to] [specify] to and including [the Interest Payment Date falling on or nearest to][specify]][, as adjusted in accordance with the Business Day Convention]

### 20. Zero Coupon Note Provisions:

[Applicable][Not applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

- (i) Accrual Yield: [specify] per cent. [per annum]

- (ii) Reference Price: [specify]

*(If a different Reference Price and/or Accrual Yield applies to each Period, the Accrual Yield and/or Reference Price shall be specified separately for each such Period.)*

### 21. Index Linked Interest Provisions:

[Applicable] [in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including [specify] only][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix))*

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

- (i) Index/Basket of Indices: [specify] [Reference Item[s]][k]]

[Composite][non Composite]

[Weighting: [[Not applicable][specify] Each such

## FORM OF PRICING SUPPLEMENT

Weighting shall be subject to adjustment in accordance with the Index Linked Conditions]]

- (ii) Index Currency: *[specify]*
- (iii) Exchange(s) and Index Sponsor:
  - (a) the relevant Exchange[s] *[is][are]* *[specify]*; and
  - (b) the relevant Index Sponsor is *[specify]*.
- (iv) Related Exchange: *[specify][All Exchanges]*
- (v) Screen Page: *[specify]*
- (vi) Strike Date: *[specify][Not applicable]*
- (vii) Strike Period [and Strike Days]: *[specify Strike Period][Not applicable][specify applicable Strike Days in the period]*
- (viii) Averaging:
 

Averaging *[applies][does not apply]* to the Notes. [The Averaging Dates are *[specify]*.] [See paragraph *[specify]* above]

[In the event that an Averaging Date is a Disrupted Day                      Omission][Postponement][Modified Postponement] will apply.]

*[[Specified Maximum Days of Disruption will be equal to: *[specify]*][five]]*

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (ix) Coupon Valuation Date(s)/Period(s): *[specify][Not applicable]*
- (x) Coupon Valuation Time:
 

*[Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]] *[[specify]*, being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the Interest Amount]*

*(If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)*
- (xi) Observation Date(s): *[specify][Not applicable]*

[In the event that an Observation Date is a Disrupted Day                      [Omission][Postponement][Modified Postponement] will apply.]
- (xii) Observation Period: *[specify][Not applicable]*
- (xiii) Exchange Business Day: *[(All Indices Basis)][(Per Index Basis)][(Single Index*

## FORM OF PRICING SUPPLEMENT

		Basis)] ( <i>standard election is All Indices Basis</i> )
(xiv)	Scheduled Trading Day:	[(All Indices Basis)][(Per Index Basis)][(Single Index Basis)][(Cross Asset Basis)]  ( <i>must match election made for Exchange Business Day</i> )
(xv)	Index Correction Period:	[As set out in Index Linked Condition 7][ <i>specify</i> ]
(xvi)	Disrupted Day:	[As set out in the Index Linked Conditions][ <i>specify</i> ]
(xvii)	Index Adjustment Event:	[As set out in Index Linked Condition 2][ <i>specify</i> ]  Delayed Redemption on Occurrence of Index Adjustment Event: [Applicable][Not applicable]
(xviii)	Additional Disruption Events:	[Not applicable] [The following Additional Disruption Events apply to the Notes:  (Specify each of the following which applies)  [Change in Law]  [Hedging Disruption]  [Increased Cost of Hedging]  [Increased Cost of Stock Borrow]  [Loss of Stock Borrow]  [The Trade Date is [ <i>specify</i> ].] ( <i>Only applicable if Change in Law and/or Increased Cost of Hedging is applicable</i> )  [The Maximum Stock Loan Rate in respect of [ <i>specify</i> ] is [ <i>specify</i> ]] ( <i>Only applicable if Loss of Stock Borrow is applicable</i> )  The Initial Stock Loan rate in respect of [ <i>specify</i> ] is [ <i>specify</i> ] ( <i>Only applicable if Increased Cost of Stock Borrow is applicable</i> )  Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]]
(xix)	Market Disruption:	Specified Maximum Days of Disruption will be equal to [ <i>specify</i> ][five][Not applicable]  ( <i>If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five</i> )
22.	Equity Linked Interest Provisions:	[Applicable[, in respect of [the][each] Interest

## FORM OF PRICING SUPPLEMENT

Payment Date[s] falling [on][during the period from and including] *[specify]* [to and including *[specify]*] only][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix))*

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

- (i) Share(s)/Share Company/Basket of Shares/Basket Company: *[specify]* [Reference Item[s]][k]]  
[Weighting: [Not applicable]*[specify]* [Each such Weighting shall be subject to adjustment in accordance with the Equity Linked Conditions]
- (ii) Share Currency: *[specify]*
- (iii) ISIN of Share(s): *[specify]*
- (iv) Screen Page: *[specify]*
- (v) Exchange(s): *[specify]*
- (vi) Related Exchange(s): *[specify]*[All Exchanges]
- (vii) Depositary Receipt provisions: [Applicable][Not applicable]
  - (a) Details of Depositary Receipt: *[specify name and ISIN code]*
  - (b) Underlying Shares: *[specify]*
  - (c) Underlying Share Issuer: *[specify]*
  - (d) Share Exchange: *[specify]*
- (viii) Strike Date: *[specify]*[Not applicable]
- (ix) Strike Period [and Strike Days]: *[specify Strike Period]*[Not applicable]*[specify the applicable Strike Days in the Strike Period]*
- (x) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are *[specify]* [See paragraph *[specify]* above]

[In the event that an Averaging Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply.]

[[Specified Maximum Days of Disruption will be



## FORM OF PRICING SUPPLEMENT

equal to: *[specify]*[five]

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

(xi) Coupon Valuation Date(s)/Period(s): *[specify]*[Not applicable]

(xii) Coupon Valuation Time: [Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]] *[specify]*, being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the Interest Amount]

*(If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)*

(xiii) Observation Date(s): *[specify]*[Not applicable]

[In the event that an Observation Date is a Disrupted Day, [Omission][Postponement][Modified Postponement] will apply]

(xiv) Observation Period: *[specify]*[Not applicable]

(xv) Exchange Business Day: [(All Shares Basis)][(Per Share Basis)][(Single Share Basis)][(Cross Asset Basis)]

(xvi) Scheduled Trading Day: [(All Shares Basis)][(Per Share Basis)][(Single Share Basis)][(Cross Asset Basis)]

*(Must match election for Exchange Business Day)*

(xvii) Share Correction Period: [As set out in Equity Linked Condition 8]*[specify]*

(xviii) Disrupted Day: [As set out in Equity Linked Condition 8]*[specify]*

(xix) Market Disruption: Specified Maximum Days of Disruption will be equal to *[specify]*[five][Not applicable]

*(If no Specified Maximum Days of Disruption is stated, Specified Maximum Days of Disruption will be equal to five)*

(xx) Extraordinary Events: [Not Applicable][In addition to De-Listing, Insolvency, Merger Event and Nationalization, the following Extraordinary Events apply to the Notes:

*(specify each of the following which applies)*

[Tender Offer]

[Listing Change]

## FORM OF PRICING SUPPLEMENT

		[Listing Suspension]
		[Illiquidity]
		[Delayed Redemption on Occurrence of Extraordinary Disruption Event]
(xxi)	Additional Disruption Events:	[Not applicable][The following Additional Disruption Events apply to the Notes:  <i>(Specify each of the following which applies)</i>  [Change in Law]  [Hedging Disruption]  [Insolvency Filing]  [Failure to Deliver due to Illiquidity]  <i>(Only applicable in the case of Physically Settled Notes - Failure to Deliver due to Illiquidity is applicable to certain Share Linked Notes. Careful consideration should be given to whether Failure to Deliver due to Illiquidity would apply to other Physically Settled Notes)</i>  [Increased Cost of Hedging]  [Increased Cost of Stock Borrow]  [Loss of Stock Borrow]  [Stop-Loss Event]  [Stop-Loss Event Percentage: <i>[specify]</i> per cent.]  [The Trade Date is <i>[specify]</i> ] <i>(Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)</i>  [The Maximum Stock Loan Rate in respect of <i>[specify in relation to each relevant Share]</i> is <i>[specify]</i> ] <i>(Only applicable if Loss of Stock Borrow is applicable)</i>  [[The Initial Stock Loan rate in respect of <i>[specify in relation to each relevant Share]</i> is <i>[specify]</i> ] <i>(Only applicable if Increased Cost of Stock Borrow is applicable)</i> ]
		Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]
23.	Inflation Linked Interest Provisions:	[Applicable[, in respect of [the][each] Interest

## FORM OF PRICING SUPPLEMENT

Payment Date[s] falling [on][during the period from and including] *[specify]* [to and including *[specify]*] only][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest (x) – Range Accrual" applied under item 17(ix))*

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

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

*(If more than one Inflation Rate is to be determined, repeat items (i) to (ix) for each such Inflation Rate and, if Digital Coupon One Condition of Digital Coupon two Conditions apply distinguish between the Rate which is Rate A, the Rate which is Rate B and the Rate which is Rate C if applicable)*

- |        |                                  |  |
|--------|----------------------------------|--|
| (i)    | Index / Indices:                 | <i>[specify]</i> [Reference Item[s]](k)]   |
|        |                                  | <i>(Set out each Index level and insert "in respect of [specify date]" following each Index level)</i>           |
| (ii)   | Screen Page/Exchange/ CODE:      | <i>[specify]</i>   |
| (iii)  | Cut-Off Date:                    | [As per the Inflation Linked Conditions] <i>[specify]</i>  |
| (iv)   | Related Bond:                    | <i>[specify]</i> [Fall Back Bond][Not applicable]  |
| (v)    | Fallback Bond:                   | [Applicable][Not applicable]   |
| (vi)   | Index Sponsor:                   | <i>[specify]</i>   |
| (vii)  | Related Bond Redemption Event:   | [Applicable][Not applicable]   |
| (viii) | Strike Date:                     | <i>[specify]</i> [Not applicable]  |
| (ix)   | Strike Period [and Strike Days]: | <i>[Specify Strike Period]</i> [Not applicable] <i>[Specify the applicable Strike Days in the Strike Period]</i> |
| (x)    | Determination Date               | <i>[specify]</i> [Not applicable]  |
| (xi)   | Additional Disruption Events:    | [Not applicable][The following Additional Disruption Events apply to the Notes:                                  |
|        |                                  | <i>(Specify each of the following which applies)</i>   |
|        |                                  | [Change in Law]  |
|        |                                  | [Hedging Disruption]   |
|        |                                  | [Increased Cost of Hedging]  |

## FORM OF PRICING SUPPLEMENT

[The Trade Date is *[specify]*. (Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)]

### 24. Fund Linked Interest Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] *[specify]* [to and including *[specify]*] only]] [Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] (*insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix)*),

(*If not applicable, delete the remaining subparagraphs of this paragraph*)

(*In respect of Credit Linked Notes*) [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

(i) Fund/Fund Basket(s):

*[specify]* [Reference Item[s]][(k)]  
[The *[specify]* Fund is an Exchange Traded Fund]

[The NAV per Fund Share will be purchased on *[specify]*] (*include for funds that are not ETFs*) (*where the Fund is not an ETF, for listed Notes, the Fund must be a UCITS Fund or an investment fund authorised by the Central Bank of Ireland or the Competent Authority of another EU Member State deemed equivalent by the ISE*)

(ii) Fund Shares:

*[specify]*

[Weighting: *[specify]*] [Not applicable] Each such Weighting shall be subject to adjustment in accordance with the Fund Linked Conditions]

(iii) Exchange:

*[specify]* [Not applicable]

(*only applicable to ETFs*)

(iv) Related Exchange:

*[specify]* [All Exchanges] [Not applicable]

(*only applicable to ETFs*)

(v) Exchange Business Day:

*[specify]* [Not applicable]

(*only applicable to ETFs*)

(vi) Scheduled Trading Day:

[(All Fund Share Basis)] [(Per Fund Share Basis)] [Single Fund Share Basis)] [(Cross Asset Basis)]

(*only applicable to ETFs*)

## FORM OF PRICING SUPPLEMENT

- (vii) Strike Date: [specify][Not applicable]
- (only applicable to ETFs)*
- (viii) Averaging: Averaging [applies][does not apply] to the Notes [The Averaging Dates are [specify]] [see paragraph [specify] above]
- [In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]
- [[Specified Maximum Days of Disruption will be equal to: [specify][five]]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (ix) Observation Date: [specify][Not applicable]
- In the event that an Observation Date is a Disrupted Date [Omission][Postponement][Modified Postponement] will apply
- (x) Observation Period: [specify][Not applicable]
- (xi) Coupon Valuation Date(s)/Period(s): [specify][Not applicable]
- (xii) Valuation Time (only applicable to ETFs): [Scheduled Closing Time][Any time [on the relevant Coupon Valuation Date][during the Observation Period]] [[specify], being the time specified on the relevant [Coupon Valuation Date] or an Averaging Date, as the case may be, for the calculation of the Interest Amount]
- (If no time is specified, the Valuation Time will be the close of trading on the Exchange)*
- (xiii) Fund Service Provider: [specify][As set out in Fund Linked Condition 7]
- (xiv) Fund Documents: [specify]
- (xv) Fund Business Day: [(All Fund Share Basis)][(Per Fund Share Basis)][(Single Fund Share Basis)]
- (xvi) Initial Calculation Date: [specify][As set out in Fund Linked Condition 7] [Not applicable]
- (xvii) Final Calculation Date: [specify][As set out in Fund Linked Condition 7] [Not applicable]
- (xviii) Calculation Date(s): [specify][As set out in Fund Linked Condition 7] [Not applicable]

## FORM OF PRICING SUPPLEMENT

(xix)	Exchange Rate:	[specify][Not applicable]
(xx)	NAV Barrier:	[specify][Not applicable]
(xxi)	NAV Trigger Percentage:	[specify][As set out in Fund Linked Condition 7] [Not applicable]
(xxii)	NAV Trigger Period:	[specify][As set out in Fund Linked Condition 7] [Not applicable]
(xxiii)	Number of NAV Publication Days:	[specify][As set out in Fund Linked Condition 7] [Not applicable]
(xxiv)	Basket Trigger Level:	[specify][As set out in Fund Linked Condition 7] [Not applicable]
(xxv)	Termination Amounts:	[Delta 1 Termination Amount][Principal Protected Termination Amount][Non-Principal Protected Termination Amount][Not applicable]
(xxvi)	Termination Date:	[specify][Not applicable]
(xxvii)	Delta 1 Termination Date:	[specify][Not applicable]
(xxviii)	Protected Amount:	[specify][Not applicable]
(xxix)	Simple Interest Spread:	[specify][As set out in Fund Linked Condition 7] [Not applicable]
(xxx)	Spread:	[specify][Not applicable]
(xxxi)	Market Disruption:	[Not Applicable][Specified Maximum Days of Disruption will be equal to [specify][five]]  <i>(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)</i>
(xxxii)	Extraordinary Fund Event:	As set out in Fund Linked Condition 4  Delayed Redemption on the Occurrence of an Extraordinary Fund Event: [Applicable][Not applicable]
(xxxiii)	Additional Extraordinary Fund Event:	[Not applicable][The following Additional Disruption Events apply to the Notes:  <i>(Specify each of the following which applies)</i>  [Change in Law]  [Hedging Disruption]  [Increased Cost of Hedging]

## FORM OF PRICING SUPPLEMENT

[The Trade Date is *[specify]*] (only applicable if Change in Law and/or Increased Cost of Hedging is applicable)

(Specify whether each Additional Extraordinary Fund Event is a Substitution Event or a Termination Event)

(xxxiv) Delayed Payment Cut-Off Date: [As set out in Fund Linked Condition 6][*specify*]

### 25. Foreign Exchange (FX) Rate Linked Interest Provisions:

[Applicable[, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] *[specify]* [to and including] *[specify]* only]][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] (*insert where "Rate of Interest (x) - Range Accrual" applies under item 17(ix)*)

(If not applicable, delete the remaining subparagraphs of this paragraph)

(In respect of Credit Linked Notes) [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

(i) Base Currency: [*specify*][Not applicable][For Reference Item[(k)]: *[insert]*]

(ii) Subject Currency/Currencies: [*specify*][Not applicable][For Reference Item[(k)]: *[insert]*] [and EM Foreign Exchange Rate Provisions apply to such Subject Currency]

(iii) Additional Disruption Event: (*Specify each of the following which applies*) [Change in Law] [Hedging Disruption] [Increased Cost of Hedging]

[Trade Date means *[specify]*]

(iv) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are *[specify]*] [see paragraph *[specify]* above]

[In the event that an Averaging Date is a Disrupted Day Omission][Postponement][Modified Postponement] will apply]

[[Specified Maximum Days of Disruption will be equal to: *[specify]*][five]]

(if no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)

(v) Observation Date(s): [*specify*][Not applicable]

## FORM OF PRICING SUPPLEMENT

- (vi) Observation Period: [specify][Not applicable]
- (vii) Strike Date: [specify][Not applicable]
- (viii) Strike Period [and Strike Days]: [Specify Strike Period][Not applicable][Specify the applicable Strike Days in the Strike Period]
- (ix) Coupon Valuation Date(s)/Period(s): [specify][Not applicable]
- (x) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions do not apply to a Settlement Currency: [Applicable [in respect of [specify Subject Currencies to which these provisions apply where there is a Basket]]][Not applicable]  
*(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)*
- (a) Delayed Redemption on the Occurrence of a Disruption Event: [Applicable][Not applicable]
- (b) Relevant Screen Page: [specify][Not applicable]
- (c) Specified Maximum Days of Disruption: [Specified Maximum Days of Disruption will be equal to: [specify][five]]][Not applicable]  
*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (d) Price Source: [specify]
- (e) Valuation Time: [specify][As per Foreign Exchange (FX) Rate Linked Note Condition 6]
- (xi) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions apply: [Applicable [in respect of [specify Subject Currencies to which these provisions apply where there is a Basket]]][Not applicable]  
*(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)*
- (a) Provisions applicable to determining the Settlement Price: For the purpose of the definition of Settlement Price in Foreign Exchange (FX) Rate Linked Note Condition 6 [and [specify the relevant Subject Currency where more than one Subject Currency]]:
- EM FX Price Source: [specify]
- EM Valuation Time: [specify]
- EM Scheduled Trading Day Jurisdiction: [specify]



## FORM OF PRICING SUPPLEMENT

- (b) EM Disruption Events: [Price Source Disruption]
- [Illiquidity Disruption]
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Material Change in Circumstance]
- [Nationalisation]
- [Price Materiality, where:
- EM Price Materiality Percentage: *[specify]*[3] per cent.
- EM Primary Rate: *[specify]*[The rate determined as set out in the definition of Settlement Price]
- EM Secondary Rate: *[specify]*[[EM First Fallback Reference Price [and]][EM Second Fallback Reference Price]]
- (Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Events (or components thereof) also apply thereto)*
- (c) EM Disruption Fallbacks: [EM Calculation Agent Determination]
- [EM First Fallback Reference Price, where:
- First Fallback EM FX Price Source: *[specify]*
- First Fallback EM Valuation Time: *[specify]*
- First Fallback EM Number of Settlement Days: *[specify]*
- [EM Second Fallback Reference Price, where:
- Second Fallback EM FX Price Source: *[specify]*
- Second Fallback EM Valuation Time: *[specify]*
- Second Fallback EM Number of Settlement Days: *[specify]*

## FORM OF PRICING SUPPLEMENT

[EM Valuation Postponement]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(d) EM Maximum Days of Postponement: [specify]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(e) EM Cumulative Events: [Not applicable][Applicable and EM Maximum Cumulative Days of Postponement means [specify]]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(f) EM Number of Settlement Days: [Two][Zero][specify other number of days] [where Settlement Day Centre(s) means [specify]]

(g) EM Number of Postponement Settlement Days: [[Two][specify]] [Business Days][EM Settlement Days] [specify]

**26. Reference Item Rate Linked** [Applicable [, in respect of [the][each] Interest Payment Date[s] falling [on][during the period from and including] [specify] [to and including] [specify] only][Not applicable] [for the purposes of determining the "Rate of Interest" specified in item 17(ix)] *(insert where "Rate of Interest x) - Range Accrual" applies under item 17(ix))*

*(In respect of Credit Linked Notes)* [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]

[The [Floating][Fixed] Rate Note Provisions shall apply. For the purposes of determining the Reference Item Rate on the basis of elections in this paragraph]

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

*(If more than one Reference Item Rate is to be determined, include the following language:*

## FORM OF PRICING SUPPLEMENT

*"Reference Item Rate [specify] is as follows:" and repeat items (i) to (vi) below for each such Reference Item Rate)*

- (i) Screen Rate Determination: [Applicable][Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Reference Item Rate: [specify  
period][month][year][LIBOR][EURIBOR][CMS Rate with a Designated Maturity of [insert year][specify Government Bond Yield Rate][specify TEC Rate] [with a Designated Maturity of [insert years]]
- (b) Interest Determination Date(s): [specify]
- (e.g: Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR. Where the Rate of Interest is being used other than for a Floating Rate Note, ensure that this is not specified in respect of an Interest Period and the relevant Range Accrual Day may be specified where relevant for Range Accrual Notes.)*
- (c) Specified Time: [specify]
- (which will be 11:00 am, London time, in the case of LIBOR, or 11:00 am, Brussels time, in the case of EURIBOR)*
- (d) Relevant Screen Page: [specify]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (ii) ISDA Determination: [Applicable][Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Floating Rate Option: [specify]
- (b) Designated Maturity: [specify]

## FORM OF PRICING SUPPLEMENT

- (c) Reset Date: [specify]
- (iii) Reference Item Spread: [Reference Item Rate 1 minus Reference Item Rate 2][Not applicable]
- [See paragraph [ ]][above][below]
- (If a Reference Spread applies for each Interest Period, the Reference Spread shall be specified separately for each Interest Period.)*
- (iv) Coupon Valuation Date(s)/Period(s): [specify][Not applicable]
- (v) Rate Cut-Off Date: [specify] [See paragraph [specify]][above][below][Not applicable]
- (vi) Business Day: As used in this item and for the purpose of determining the Reference Item Rate only, "**Business Day**" means [a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in [specify] [A Target Settlement Day][ a "U.S. Government Securities Business Day", being any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for the purposes of trading in U.S. government securities.]
- [Not applicable]
- 27. Combination Note Interest:** [Applicable][Not applicable]
- (Applicable in relation to Interest linked to a combination of types of Reference Items)*
- (If applicable, complete relevant prompts from Paragraphs [17] to [27] above)*

## PROVISIONS RELATING TO REDEMPTION

- 28. Final Redemption Amount:** [Redemption at par][Calculation Amount \* [specify] per cent.][Calculation Amount \* Final Payout] [, subject to [specify]][the application of the Settlement Exchange Rate Provisions [in the specified circumstances set out in the Final Payout Formula only]]]
- 29. Final Payout:** [Not applicable]
- (In respect of the following, insert formula from Payout Condition 2.2 and relevant definitions from Payout Condition 5)*

## FORM OF PRICING SUPPLEMENT

[Redemption (i)]  
 [Redemption (ii) – Call]  
 [Redemption (iii) – Put]  
 [Redemption (iv)]  
 [Redemption (v) – Multiplier]  
 [Redemption (vi) – Digital]  
 [Redemption (vii) – Digital with Knock-in]  
 [Redemption (viii) – Strike Podium n Conditions]  
 [Redemption (ix) – Versus Standard]  
 [Redemption (x) – Versus]  
 [Redemption (xi) – Knock-in Standard]  
 [Redemption (xii) – Twin Win]  
 [Redemption (xiii) – Himalaya]  
 [Redemption (xiv) – Podium]  
 [Redemption (xv) – Booster]  
 Redemption (xvi) – Bonus]  
 [Redemption (xvii) – Lock-in]

### 30. Automatic Early Redemption:

[Applicable][Not applicable]

*(If applicable, specify one of the following)*

[ST Automatic Early Redemption][Target Automatic Early Redemption] *(always insert "Target Automatic Early Redemption Event" in relation to Accumulated Coupon)*

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

- |       |   |  |
|-------|---|--|
| (i)   | Automatic Early Redemption Event:       | [In respect of [any][all] Automatic Early Redemption Valuation Date[s] [from (i)=[specify] to (i)=[specify]] [for [each][the][relevant][any][all] Automatic Early Redemption Valuation Period[s] [from (i)=[specify] to (i)=[specify]] [,the] AER Value is: [greater than][greater than or equal to][less than][less than or equal to] the Automatic Early Redemption [Level][Price]] [within][outside] the Automatic Early Redemption Range](repeat as necessary) |
| (ii)  | AER Value:                              | <i>[insert relevant value definition and where applicable relevant definitions from Payout Condition 5.1 and 5.2]</i>  |
| (iii) | Automatic Early Redemption Payout:      | The Automatic Early Redemption Amount shall be determined in accordance with the following formula:<br><br><i>(Insert relevant formula from payout annex)</i>  |
| (iv)  | Automatic Early Redemption Level/Price: | [[specify] [per cent.]] [Not applicable]   |
| (v)   | Automatic Early Redemption              | From and [including][excluding][specify range of   |

## FORM OF PRICING SUPPLEMENT

- Range: values, percentages, level, or prices etc] to and [including][excluding] [specify range of values, percentages, level or prices etc][Not applicable]
- (vi) AER Percentage: [specify] per cent.][Not applicable]
- (insert where ST Automatic Early Redemption applies)
- (vii) Automatic Early Redemption Date(s): [specify] [The date falling [specify] Business Days following [each][the] Automatic Early Redemption [Date][Period] in respect of which an Automatic Early Redemption Event has occurred] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].
- (viii) AER Additional Rate: [AER Rate][Insert relevant provisions from Payout Condition 5.1][Not applicable]
- [AER Rate DCF][Insert relevant provisions from Conditions]
- [AER Rate MT][Insert relevant provisions from Conditions]
- (ix) [(i)] Automatic Early Redemption Valuation Date(s): [specify] [Each [specify] [Scheduled Trading Day] falling within the [relevant] Automatic Early Redemption Valuation Period]
- (repeat as necessary)
- [(ii)] Automatic Early Redemption Valuation Period(s): [[from (i)=[specify] to [specify] [Each][The] period from [and including][but excluding][specify], to [and including][but excluding][specify]
- (repeat as necessary)
- (x) Automatic Early Redemption Valuation Time: [specify][Scheduled Closing Time][Any time [on the relevant Automatic Early Redemption Valuation Date][during the Automatic Early Redemption Valuation Period].
- (xi) Averaging: Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [specify].] [See paragraph [specify] above]
- [In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]
- [Specified Maximum Days of Disruption will be equal to: [specify][five]

## FORM OF PRICING SUPPLEMENT

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

### 31. Issuer Call Option:

[Applicable][Not applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Optional Redemption Date(s): [specify] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].

(ii) Optional Redemption Valuation Date(s): [specify][Not applicable]

(iii) Optional Redemption Amount: [[specify] per Calculation Amount]

*(Insert relevant Optional Redemption Amount in respect of each relevant Optional Redemption Date. These may be set out in a table or annexed to the Final Terms)*

(iv) If redeemable in part:

(a) Minimum Redemption Amount: [specify][Not applicable]

(b) Higher Redemption Amount: [specify][Not applicable]

(v) Notice periods: Minimum period: [specify]  
Maximum period: [specify]  
[Not applicable]

*(When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

### 32. Noteholder Put:

[Applicable][Not applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Optional Redemption Date(s): [specify] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].

## FORM OF PRICING SUPPLEMENT

- (ii) Optional Redemption Valuation Date(s): *[specify]*[Not applicable]
- (iii) Optional Redemption Amount(s): *[[specify] [per Calculation Amount]]*[The Optional Redemption Amount shall be determined in accordance with the following formula:  
  
*(Insert relevant formula from Payout Annex)]*
- (iv) Notice periods: Minimum period: *[specify]*[Not applicable]  
Maximum period: *[specify]*[Not applicable]  
  
*(When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- 33. Early Redemption Amount:** *[[specify] per Calculation Amount]*[As set out in General Condition 6]
- 34. Index Linked Redemption:** *[Applicable]*[Not applicable]  
  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Basket of Indices: *[specify]*[Reference Item[s]][(k)]  
  
*[Composite]*[Non Composite]  
  
*[Weighting: [Not applicable]]**[[specify] [Each such Weighting shall be subject to adjustment in accordance with the Index Linked Conditions]]*
- (ii) Index Currency: *[specify]*
- (iii) Exchange(s) and Index Sponsor: (a) the relevant Exchange[s] *[is]**[are]* *[specify]*; and  
(b) the relevant Index Sponsor is *[specify]*
- (iv) Related Exchange: *[specify]*[All Exchanges][Not applicable]
- (v) Screen Page: *[specify]*[Not applicable]
- (vi) Strike Date: *[specify]*[Not applicable]
- (vii) Strike Period [and Strike Days]: *[Specify Strike Period]*[Not applicable]*[Specify the applicable Strike Days in the Strike Period]*
- (viii) Averaging: Averaging *[applies]**[does not apply]* to the Notes. [The



## FORM OF PRICING SUPPLEMENT

Averaging Dates are [*specify*] [See paragraph [*specify*] above]

[In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]

[Specified Maximum Days of Disruption will be equal to: [*specify*][five]]

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

- |         |                               |   |
|---------|-------------------------------|---|
| (ix)    | Redemption Valuation Date(s): | [ <i>specify</i> ][Not applicable]  |
| (x)     | Redemption Valuation Time:    | [Scheduled Closing Time][Any time [on the relevant Redemption Valuation Date][during the Observation Period]] [ <i>specify</i> ], being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount] |
| (xi)    | Observation Date(s):          | [ <i>specify</i> ][Not applicable]  |
|         |                               | [In the event that an Observation Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply]   |
| (xii)   | Observation Period:           | [ <i>specify</i> ][Not applicable]  |
| (xiii)  | Exchange Business Day:        | [(All Indices Basis)][(Per Index Basis)][(Single Index Basis)][(Cross Asset Basis)]<br><i>(standard election is All Indices Basis)</i>  |
| (xiv)   | Scheduled Trading Day:        | [(All Indices Basis)][(Per Index Basis)][(Single Index Basis)][(Cross Asset Basis)]<br><i>(must match election made for Exchange Business Day)</i>  |
| (xv)    | Index Correction Period:      | [As set out in Index Linked Condition 7][ <i>specify</i> ]  |
| (xvi)   | Disrupted Day:                | [As set out in the Index Linked Conditions][ <i>specify</i> ]   |
| (xvii)  | Index Adjustment Event:       | [As set out in Index Linked Condition 2][ <i>specify</i> ]  |
|         |                               | Delayed Redemption on Occurrence of Index Adjustment Event: [Applicable][Not applicable]  |
| (xviii) | Additional Disruption Event:  | [Not applicable][The following Additional Disruption Events apply to the Notes:<br><br><i>(Specify each of the following which applies)</i>   |

## FORM OF PRICING SUPPLEMENT

[Change in Law]

[Hedging Disruption]

[Increased Cost of Hedging]

[Increased Cost of Stock Borrow]

[Loss of Stock Borrow]

[[The Trade Date is *[specify]* (only applicable if Change in Law and/or Increased Cost of Hedging is applicable)]]

[[The Maximum Stock Loan Rate in respect of *[specify in relation to each relevant Share]* is *[specify]* (only applicable if Loss of Stock Borrow is applicable)]]

[[The Initial Stock Loan rate in respect of *[specify in relation to each relevant Share]* is *[specify]* (only applicable if Increased Cost of Stock Borrow is applicable)]]

Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]

(xix) Market Disruption:

Specified Maximum Days of Disruption will be equal to *[specify]*[five]

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

### 35. Equity Linked Redemption

[Applicable][Not applicable]

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

(i) Share/Basket of Shares/Basket Company: *[specify]* [Reference Item[s]][(k)]

[Weighting: [Not applicable]*[specify]* [Each such Weighting shall be subject to adjustment in accordance with the Equity Linked Conditions]]

(ii) Share Currency: *[specify]*

(iii) ISIN of Share(s): *[specify]*

(iv) Screen Page: *[specify]*

(v) Exchange: *[specify]*

## FORM OF PRICING SUPPLEMENT

- (vi) Related Exchange(s): [specify][All Exchanges][Not applicable]
- (vii) Depositary Receipt provisions: [Applicable][Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Details of Depositary Receipt: [specify name and ISIN code]
- (b) Underlying Shares: [specify]
- (c) Underlying Share Issuer: [specify]
- (d) Share Exchange: [specify]
- (viii) Strike Date: [specify]
- (ix) Strike Period [and Strike Days]: [specify Strike Period][Not applicable][specify the applicable Strike Days in the Strike Period]
- (x) Averaging: Averaging [applies/does not apply] to the Notes [The Averaging Dates are [specify]] [See paragraph [specify] above]
- [In the event that an Averaging Date is a Disrupted Day [Omission][Postponement][Modified Postponement] will apply.]
- [Specified Maximum Days of Disruption will be equal to: [specify][five]]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (xi) Redemption Valuation Date(s): [specify]
- (xii) Redemption Valuation Time: [Scheduled Closing Time][Any time [on the relevant Redemption Valuation Date][during the Observation Period]] [[specify], being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount]
- (xiii) Observation Date(s): [specify][Not applicable]
- [In the event that an Observation Date is a Disrupted Date [Omission][Postponement][Modified Postponement] will apply]
- (xiv) Observation Period: [specify][Not applicable]
- (xv) Exchange Business Day: [(All Shares Basis)][(Per Share Basis)][(Single Share

## FORM OF PRICING SUPPLEMENT

		Basis)][(Cross Asset Basis)]
(xvi)	Scheduled Trading Day:	[(All Shares Basis)][(Per Share Basis)][(Single Share Basis)][(Cross Asset Basis)]
(xvii)	Share Correction Period:	[As set out in Equity Linked Condition 8][ <i>specify</i> ]
(xviii)	Disrupted Days:	[As set out in Equity Linked Condition 8][ <i>specify</i> ]
(xix)	Market Disruption:	Specified Maximum Days of Disruption will be equal to [ <i>specify</i> ][five]  <i>(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)</i>
(xx)	Extraordinary Events:	[Not applicable][In addition to De-Listing, Insolvency, Merger Event and Nationalization, the following Extraordinary Events apply to the Notes:  [Tender Offer]  [Listing Change]  [Listing Suspension]  [Illiquidity]  [Delayed Redemption on Occurrence of Extraordinary Disruption Event]
(xxi)	Additional Disruption Events:	[Not applicable][The following Additional Disruption Events apply to the Notes:  <i>(Specify each of the following which applies)</i>  [Change in Law]  [Hedging Disruption]  [Insolvency Filing]  [Failure to Deliver due to Illiquidity]  <i>(N.B. Only applicable in the case of Physically Settled Notes - Failure to Deliver due to Illiquidity is applicable to certain Share Linked Notes. Careful consideration should be given to whether Failure to Deliver due to Illiquidity would apply to other Physically Settled Notes)</i>  [Increased Cost of Hedging]  [Increased Cost of Stock Borrow]

## FORM OF PRICING SUPPLEMENT

[Loss of Stock Borrow]

[Stop-Loss Event]

[Stop-Loss Event Percentage: *[specify]* per cent.]

[The Trade Date is *[specify]*] (*Only applicable if Change in Law and/or Increased Cost of Hedging is applicable*)

[The Maximum Stock Loan Rate in respect of *[specify]* in relation to each relevant Share] is *[specify]*] (*Only applicable if Loss of Stock Borrow is applicable*)

[The Initial Stock Loan rate in respect of *[specify]* in relation to each relevant Share] is *[specify]*] (*Only applicable if Increased Cost of Stock Borrow is applicable*)

Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable][Not applicable]

### 36. Inflation Linked Redemption:

[Applicable][Not applicable]

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

- (i) Index/Indices: *[specify]* [Reference Item[s] [(k)]]
- (ii) Screen page/Exchange/CODE: *[specify]*
- (iii) Index Sponsor: *[specify]*
- (iv) Cut-Off Date: [As per the Inflation Linked Conditions][*specify*]
- (v) Related Bond: *[specify]*[Fall Back Bond][Not applicable]
- (vi) Fall Back Bond: [Applicable][Not applicable]
- (vii) Related Bond Redemption Event: [As set out in Inflation Linked Condition 4][*specify*]
- (viii) Strike Date: *[specify]*[Not applicable]
- (ix) Strike Period [and Strike Days]: [*Specify Strike Period*][Not applicable][*Specify the applicable Strike Days in the Strike Period*]
- (x) Determination Date(s): *[specify]*
- (xi) Additional Redemption Event: [Not applicable][The following Additional Disruption Events apply to the Notes:

*(Specify each of the following which applies)*

[Change in Law]

## FORM OF PRICING SUPPLEMENT

[Hedging Disruption]

[Increased Cost of Hedging]

[The Trade Date is *[specify]* (*Only applicable if Change in Law and/or Increased Cost of Hedging is applicable*)]

### 37. Fund linked Redemption:

[Applicable][Not applicable]

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

(i) Fund/Fund Basket:

*[specify]*[Reference Item[s]][(k)]

[The *[specify]* Fund is an Exchange Traded Fund]

[Weighting: *[specify]*][Not applicable] [Each such Weighting shall be subject to adjustment in accordance with the Fund Linked Conditions]

(ii) Fund Shares:

*[specify]*

(iii) Exchange:

*[specify]*[Not applicable]

*(only applicable to ETFs)*

(iv) Related Exchange:

*[specify]*[All Exchanges][Not applicable]

*(only applicable to ETFs)*

(v) Exchange Business Day:

[Applicable: [(All Fund Shares Basis)] [(Per Fund Share Basis)] [(Single Fund Share Basis)] [(Cross Asset Basis)]] [Not applicable]

*(only applicable to ETFs)*

(vi) Scheduled Trading Day:

[Applicable: [(All Fund Shares Basis)] [(Per Fund Share Basis)] [(Single Fund Share Basis)] [(Cross Asset Basis)]] [Not applicable]

*(only applicable to ETFs)*

(vii) Strike Date:

*[specify]*[Not applicable]

*(only applicable to ETFs)*

(viii) Strike Period [and Strike Days]:

*[specify Strike Period]*[Not applicable]*[specify the applicable Strike Days in the Strike Period]*

(ix) Averaging:

Averaging [applies][does not apply] to the Notes [The Averaging Dates are *[specify]*][See paragraph *[specify]* above]

## FORM OF PRICING SUPPLEMENT

[In the event that an Averaging Date is a Disrupted Day                      Omission][Postponement][Modified Postponement] will apply]

[[Specified Maximum Days of Disruption will be equal to: *[specify]*][five]]

*(If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*

(x) Observation Date: *[specify]*[Not applicable]

In the event that an Observation Date is a Disrupted Date                      [Omission][Postponement][Modified Postponement] will apply

(xi) Observation Period: *[specify]*[Not applicable]

(xii) Redemption Valuation Date: *[specify]*[Not applicable]

(xiii) Valuation Time (only applicable to ETFs): [Scheduled Closing Time][Any time [on the relevant Redemption Valuation Date][during the Observation Period]] *[specify]*, being the time specified on the relevant [Redemption Valuation Date] or an Averaging Date, as the case may be, for the calculation of the [Redemption Amount]

*(If no time is specified, the Coupon Valuation Time will be the Scheduled Closing Time)*

(xiv) Fund Service Provider: *[specify]*[As set out in Fund Linked Condition 4]

(xv) Fund Documents: *[specify]*

(xvi) Fund Business Day: *[specify]*[All Fund Share Basis][Per Fund Share Basis][(Single Fund Share Basis)]

(xvii) Initial Calculation Date: *[specify]*[As set out in Fund Linked Condition 7][Not applicable]

(xviii) Final Calculation Date: *[specify]*[As set out in Fund Linked Condition 7][Not applicable][Not applicable]

(xix) Calculation Date(s): *[specify]*[As set out in Fund Linked Condition 7][Not applicable]

(xx) Exchange Rate: *[specify]*[Not applicable]

(xxi) NAV Barrier: *[specify]*[Not applicable]

(xxii) NAV Trigger Percentage: *[specify]*[As per the Fund Linked Condition 7][*[specify]*][Not applicable]

## FORM OF PRICING SUPPLEMENT

- (xxiii) NAV Trigger Period: [As per the Fund Linked Conditions][*specify*]
- (xxiv) Basket Trigger Level: [*specify*][Not applicable] [As set out in Fund Linked Condition 7][Not applicable]
- (xxv) Number of NAV Publication Days: [*specify*] [As set out in Fund Linked Condition 7][Not applicable]
- (xxvi) Termination Amounts: [Delta 1 Termination Amount][Principal Protected Termination Amount][Non Principal Protected Termination Amount][Not applicable]
- (xxvii) Delta I Termination Amount: [*specify*][Not applicable]
- (xxviii) Protected Amount: [*specify*][Not applicable]
- (xxix) Termination Date: [*specify*][Not applicable]
- (xxx) Simple Interest Spread: [*specify*][Not applicable][As set out in Fund Linked Condition 7]
- (xxxi) Spread: [*specify*][Not applicable]
- (xxxii) Market Disruption: Specified Maximum Days of Disruption will be equal to [*specify*][five]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (xxxiii) Extraordinary Events: As set out in the Fund Linked Conditions
- Delayed Redemption on the Occurrence of an Extraordinary Fund Event: [Applicable][Not applicable]
- (xxxiv) Additional Extraordinary Fund Event: [Not applicable][The following Additional Disruption Events apply to the Notes:
- (Specify each of the following which applies)*
- [Change in Law]
- [Hedging Disruption]
- [Increased Cost of Hedging]
- [Failure to Deliver due to Illiquidity]
- [The Trade Date is [*specify*] *(Only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*]
- (Specify whether each Additional Extraordinary Fund*



## FORM OF PRICING SUPPLEMENT

		<i>Event is a Substitution Event or a Termination Event)]</i>
(xxxv)	Delayed Payment Cut-off Date:	[As set out in Fund Linked Condition 6][ <i>specify</i> ][Not applicable]
<b>38.</b>	<b>Credit Linked Redemption:</b>	[Applicable][Not applicable]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Type of Credit Linked Notes	<p>The Notes are [Single Reference Entity][First-to-Default]</p> <p>[Nth to Default] Credit Linked Notes [and the Relevant Number is [<i>specify</i>] (<i>for Nth-to-Default Credit Linked Notes</i>)] [Non-Tranched Linear Basket Credit Linked Notes where Credit Payment [on Maturity] [As You Go] applies] [Tranched Linear Basket Credit Linked Notes]</p> <p>(a) [Credit Event Amount: [<i>specify amount</i>] (<i>NB only use for zero/set recovery</i>)] [As set out in the Credit Linked Conditions]</p> <p>(b) Credit Event Payment Date: [[<i>specify</i>] (<i>if other than three</i>) Business Days] [As set out in the Credit Linked Conditions]] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]</p> <p><i>(NB (a) and (b) are only applicable for Non-Tranched Linear Basket Credit Linked Notes to which Credit Payment As You Go applies, otherwise delete (a) and (b))</i></p>
(ii)	Credit Event Redemption Amount:	<p>[As set out in Credit Linked Condition 13]</p> <p><i>[specify amount] (NB only use for zero/set recovery that are not Linear Basket Credit Linked Notes)</i></p>
(iii)	Protected Amount:	<p>[Applicable][Not applicable]</p> <p><i>[specify amount if applicable]</i></p> <p><i>(NB The Protected Amount shall be applicable in case of Single Reference Entity Credit Linked Notes, First-to Default Credit Linked Notes and Nth-to Default Credit Linked Notes where only part of the Nominal Amount is exposed to the relevant Reference Entity/es)</i></p>
(iv)	Unwind Costs:	[Applicable: [ <i>specify</i> ]][Standard Unwind Costs][Not applicable]

## FORM OF PRICING SUPPLEMENT

- (v) [(a)] Credit Event Redemption Date: [Credit Linked Condition 13 applies][*(specify if other than three) Business Days*] [or such later date for payment determined as provided in the Settlement Exchange Rate Provisions set out in Condition 6 of the Payout Conditions]].
- [(b)] Maturity Credit Redemption: [Applicable][Not applicable] (*NB delete this line item (b) for Linear Basket Credit Linked Notes*)
- (vi) Settlement Method:  
(see further items (xxix) to (xix) below) [Auction Settlement][Cash Settlement][Physical Delivery]  
  
[Not applicable:] [Zero/Set Recovery Notes]  
[Tranched Linear Basket Credit Linked Notes]
- (vii) Trade Date: [*specify*]
- (viii) Calculation Agent City: [*specify*][as per the Physical Settlement Matrix]
- (ix) Business Day Convention: [Following][Modified Following][Preceding] Business Day Convention (*insert only where no Business Day convention has been specified already for the Notes, otherwise delete.*)
- (x) Reference Entity(ies): [*specify*] [*NB: these may be set out in the form of a table or by reference to a credit derivatives index setting out the applicable names (in which circumstances, include the following text and any details of the date/version of the referenced credit derivatives index: "Each Reference Entity comprising the [specify name of index] on the [Issue/Trade] Date. No adjustments to the terms of the Notes shall be made to reflect subsequent versions or reconstitutions of the [specify name of index].". All relevant items below should be completed in respect of each Reference Entity (repeating items where necessary) which may also be done by including the Reference Entities and such items in a table*]
- (xi) Physical Settlement Matrix: [Applicable, [for which purpose the Date of the Physical Settlement Matrix is [*specify*]]][Not Applicable] (*if Applicable, specify in relation to each Reference Entity its Transaction Type*)
- (xii) Transaction Type: [Not applicable](*insert in relation to each Reference Entity if item (xiii) applies. (e.g.: 'European Corporate'.)*)
- (xiii) Reference Entity Notional Amount [*specify in respect of each Reference Entity*][Not applicable]
- (xiv) Reference Obligation(s): [*specify*] (*NB: where Standard Reference Obligation is applicable and no Reference Obligation is cited on*

## FORM OF PRICING SUPPLEMENT

*the SRO list or if Standard Reference Obligation is not applicable then insert)*

Standard Reference Obligation: [Not applicable][Applicable]

Seniority Level: [Senior Level][Subordinated Level][As set out in Credit Linked Condition 13]

[Not applicable] *(NB: this can only be specified for Physically Settled Credit Linked Notes - the Reference Obligation section must be inserted when Notes are Cash Settled)*

*(NB: where Standard Reference Obligation is applicable and no Reference Obligation is cited on the SRO list or if Standard Reference Obligation is not applicable then insert (a)-(e)) below, otherwise, delete)*

- (a) Primary Obligor: [specify]
- (b) Guarantor: [specify]
- (c) Maturity: [specify]
- (d) Coupon: [specify]
- (e) CUSIP/ISIN: [specify]
- (xv) All Guarantees: [As per the Physical Settlement Matrix][Applicable][Not applicable]

[Provisions relating to Qualifying Guarantee and Underlying Obligation: Credit Linked Condition 17 [Applicable][Not applicable]] *(delete if Physical Settlement Matrix applies)*

- (xvi) Credit Events: [As per the Physical Settlement Matrix]

[Bankruptcy]

[Failure to Pay]

[Grace Period Extension] [Applicable][Not applicable]

[If applicable: Grace Period: [specify]]

[Obligation Default]

[Obligation Acceleration]

[Repudiation/Moratorium]

## FORM OF PRICING SUPPLEMENT

[Restructuring]

[Provisions relating to Restructuring Credit Event:  
Credit Linked Condition 14: [Applicable][Not  
applicable][[Mod R/Mod Mod R] applicable]]

[Provisions relating to Multiple Holder Obligation:  
Credit Linked Condition 15: [Applicable][Not  
applicable]]

[Restructuring Maturity Limitation and Fully  
Transferable Obligation: [Applicable][Not  
applicable]]

[Modified Restructuring Maturity Limitation and  
Conditionally Transferable Obligation:  
[Applicable][Not applicable]]

[Governmental Intervention]

(a) Default Requirement: [specify] [As set out in Credit Linked Condition 13]

(b) Payment Requirement: [specify] [As set out in Credit Linked Condition 13]

(xvii) Credit Event Determination Date: Notice of Publicly Available Information:  
[Applicable][Not applicable]

[If Applicable:

Public Source(s): [specify]

Specified Number: [specify]]

(xviii) Obligation(s):

(a) Obligation Category: [As per the Physical Settlement Matrix][Payment]  
[Borrowed Money] [Reference Obligations Only]  
[Bond] [Loan] [Bond or Loan]

(select one only)

(b) Obligation Characteristics: [As per the Physical Settlement Matrix][Not  
Subordinated] [Specified Currency: [specify  
currency/Standard Specified Currency] [Not  
Sovereign Lender] [Not Domestic Currency: [specify  
currency]] [Not Domestic Law] [Listed] [Not  
Domestic Issuance]

(select all of which apply)

(xix) Additional Obligation(s): [specify]

(xx) Excluded Obligation(s): [specify]

## FORM OF PRICING SUPPLEMENT

- (xxi) Domestic Currency: [As set out in the Credit Linked Conditions][Not applicable][*specify*]
- (xxii) Accrual of [Interest][Yield] upon Credit Event: [Applicable][Not applicable]  
 [Continuing Accrual until scheduled maturity applicable] (NB: this option only to be specified if Maturity Credit Redemption applies) (Not relevant for Zero Coupon Credit Linked Notes)  
 [Credit Linked Condition 5 not applicable] (this option only for Linear Basket Credit Linked Notes)
- (xxiii) Merger Event: Credit Linked Condition 12: [Applicable][Not applicable]  
 [If applicable: [Merger Event Redemption Date:][*specify*]]  
 [Merger Event Redemption Amount: [*specify*]]
- (xxiv) Provisions relating to Monoline Insurer as Reference Entity: Credit Linked Condition 16: [Applicable][Not applicable]
- (xxv) Provisions relating to LPN Reference Entities: Credit Linked Condition 18: [Applicable][Not applicable]
- (xxvi) Redemption on failure to identify a Substitute Reference Obligation: [Applicable][Not applicable]

### ***Terms relating to Cash Settlement***

***(delete section and renumber if not applicable as Settlement Method or Fallback Settlement Method)***

- (xxvii) Valuation Date: [Applicable][Not applicable]  
 [Single Valuation Date: [*specify*] Business Days]  
 [Multiple Valuation Dates: [*specify*] Business Days; and each [*specify*] Business Days thereafter; Number of Valuation Dates: [*specify*]]
- (xxviii) Valuation Time: [*specify*][As per Credit Linked Condition 13]
- (xxix) Indicative Quotations: [Applicable][Not applicable]
- (xxx) Quotation Method: [Bid][Offer][Mid-market][As per Credit Linked Condition 13]
- (xxxi) Quotation Amount: [*specify*][Representative Amount][Credit Linked Conditions apply]

## FORM OF PRICING SUPPLEMENT

- (xxxii) Minimum Quotation Amount: *[specify]* [As set out in Credit Linked Condition 13]
- (xxxiii) Quotation Dealers: *[specify]*
- (xxxiv) Quotations: [Include Accrued Interest][Exclude Accrued Interest]
- (xxxv) Valuation Method: [Market][Highest]
- [Average Market/Highest][Average Highest]
- [Blended Market][Blended Highest]
- [Average Blended Market][Average Blended Highest]
- [As set out in Credit Linked Condition 13]

### ***Additional terms relating to Auction Settlement***

***(delete section and renumber if not applicable as Settlement Method or Fallback Method)***

- (xxxvi) Fallback Settlement Method: [Cash Settlement][Physical Delivery]
- (xxxvii) Successor Backstop Date subject to adjustment in accordance with Business Day Convention: [Yes][No]
- (xxxviii) Limitation Dates subject to adjustment in accordance with Business Day Convention: [Yes][No]

### ***Terms relating to Physical Delivery***

***(delete section and renumber if not applicable as Settlement Method or Fallback Settlement Method but note may be needed for Auction elections in which case do not delete)***

- (xxxix) Physical Settlement Period: *[[specify]* Business Days][Not applicable]
- (xl) Accrued Interest on Entitlement: [Include Accrued Interest][Exclude Accrued Interest][Not applicable]
- (xli) Settlement Currency: *[specify]*[Not applicable]
- (xlii) Deliverable Obligations:
- (a) Deliverable Obligation Category: [Payment] [Borrowed Money] [Reference Obligations Only] [Bond] [Loan] [Bond or Loan][As per the Physical Settlement Matrix][Not applicable]

## FORM OF PRICING SUPPLEMENT

(select one only)

- (b) Deliverable Obligation Characteristics: [Not Subordinated][Specified Currency: *[specify currency/Standard Specified Currency]* [Not Sovereign Lender] [Not Domestic Currency: *[specify currency]*] [Not Domestic Law] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Listed] *[specify]*] [Maximum Maturity: [ ] years] [Accelerated or Matured] [Not Bearer][As per the Physical Settlement Matrix] [Not applicable]
- Asset Package Delivery: [Applicable][Not Applicable] [As per Physical Settlement Matrix]
- (xliii) Additional Deliverable Obligation(s): *[specify]* [Not applicable]
- (a) Excluded Deliverable Obligation(s): *[specify]* [Not applicable]
- (b) Indicative Quotations: [Applicable][Not applicable]
- (c) Delivery provisions for Entitlement if different from General Conditions and Credit Linked Conditions: *[specify]* [Not applicable]
- (xliv) Restructuring Maturity Limitation and Fully Transferable Obligation Applicable: [Applicable][Not applicable]
- (xlv) Modified Restructuring Limitation and Conditionality Transferrable Obligation Applicable: [Applicable][Not applicable]
- (xlvi) Reference Obligation Only Termination Amount: *[specify]* [Not applicable]
- (NB: to be specified for the purposes of Credit Linked Condition 21 for Reference Obligation Only Notes relating to a single Reference Entity issued pursuant to Annex 7.)
- (xlvii) Qualifying Participation Seller: *[specify]* [Not applicable]

### ***Terms relating to Zero/Set Recovery Notes***

***(delete section and renumber if not applicable)***

- (xlviii) Set/Zero Recovery Price: *[Insert percentage in relation to each Reference Entity, which may be zero]*

## FORM OF PRICING SUPPLEMENT

### *Terms relating to Trunched Linear Basket Credit Linked Notes*

*(delete section and renumber if not applicable)*

(xlix)	H	<i>[insert number of Reference Entities that are equal to the higher tranche level]</i>
(l)	L	<i>[insert number of Reference Entities that are equal to the lower tranche level]</i>
<b>39.</b>	<b>Foreign Exchange (FX) Rate Linked Redemption:</b>	<b>[Applicable][Not applicable]</b>  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>  <i>(In respect of Credit Linked Notes)</i> [, subject to the provisions of the paragraph "Credit Linked Redemption" and the Credit Linked Conditions]
(i)	Base Currency:	<i>[specify][Not applicable][For Reference Item[(k)]: [insert]]</i>
(ii)	Subject Currency/Currencies:	<i>[specify][Not applicable][For Reference Item[(k)]: [insert]] [and EM Foreign Exchange Rate Provisions apply to such Subject Currency]</i>
(iii)	Additional Disruption Event:	<i>(Specify each of the following which applies)</i> [Change in Law][Hedging Disruption][Increased Cost of Hedging]  [Trade Date means <i>[specify]</i> ]  <i>(insert where Change in Law applies)</i>
(iv)	Averaging:	Averaging [applies][does not apply] to the Notes. [The Averaging Dates are <i>[specify]</i> ] [See paragraph <i>[specify]</i> above]
(v)	Observation Date(s):	<i>[specify][Not applicable]</i>
(vi)	Observation Period(s):	<i>[specify][Not applicable]</i>
(vii)	Strike Date:	<i>[specify][Not applicable]</i>
(viii)	Strike Period [and Strike Days]:	<i>[Specify Strike Period][Not applicable][Specify the applicable Strike Days in the Strike Period]</i>
(ix)	Redemption Valuation Date:	<i>[Specify][Not applicable]</i>
(x)	Provisions applicable where EM Foreign Exchange (FX) Rate Provisions do not apply to a Settlement Currency:	[Applicable [in respect of <i>[specify Subject Currencies to which these provisions apply where there is a Basket]</i> ]][Not applicable]



## FORM OF PRICING SUPPLEMENT

*(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)*

- (a) Delayed Redemption on the Occurrence of a Disruption Event: [Applicable][Not applicable]
- (b) Relevant Screen Page: [specify][Not applicable]
- (c) Specified Maximum Days of Disruption: [Specified Maximum Days of Disruption will be equal to: [specify][five]
- (If no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to five)*
- (d) Price Source: [specify]
- (e) Valuation Time: [specify]
- (xi) Provisions applicable where EM Foreign Exchange (FX) Rate Provisions apply: [Applicable [in respect of [specify Subject Currencies to which these provisions apply where there is a Basket]]][Not applicable]

*(Where applicable for more than one Subject Currency, complete as relevant for each such Subject Currency)*

- (a) Provisions applicable to determining the Settlement Price: For the purpose of the definition of Settlement Price in Foreign Exchange (FX) Rate Linked Note Condition 6 [and [specify the relevant Subject Currency where more than one Subject Currency]:

EM FX Price Source: [specify]

EM Valuation Time: [specify]

EM Scheduled Trading Day Jurisdiction: [specify]

- (b) EM Disruption Events: [Price Source Disruption]
- [Illiquidity Disruption]
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Material Change in Circumstance]
- [Nationalisation]

## FORM OF PRICING SUPPLEMENT

[Price Materiality, where:

EM Price Materiality Percentage: *[specify]* [3]  
per cent.

EM Primary Rate: *[specify]* [The rate  
determined as set out in the definition of  
Settlement Price]

EM Secondary Rate: *[specify]* [[EM First  
Fallback Reference Price [and]] [EM Second  
Fallback Reference Price]]

*(Specify in respect of each Subject Currency where  
EM Foreign Exchange (FX) Rate Provisions apply to  
more than one such Subject Currency and different  
EM Disruption Events (or components thereof) also  
apply thereto)*

(c) EM Disruption Fallbacks: [EM Calculation Agent Determination]

[EM First Fallback Reference Price, where:

First Fallback EM FX Price Source: *[specify]*

First Fallback EM Valuation Time: *[specify]*

First Fallback EM Number of Settlement  
Days: *[specify]*

[EM Second Fallback Reference Price, where:

Second Fallback EM FX Price Source:  
*[specify]*

Second Fallback EM Valuation Time:  
*[specify]*

Second Fallback EM Number of Settlement  
Days: *[specify]*

[EM Valuation Postponement]

*(Specify in respect of each Subject Currency where  
EM Foreign Exchange (FX) Rate Provisions apply to  
more than one such Subject Currency and different  
EM Disruption Fallbacks (or components thereof)  
also apply thereto)*

(d) EM Maximum Days of *[specify]*  
Postponement:

*(Specify in respect of each Subject Currency where  
EM Foreign Exchange (FX) Rate Provisions apply to  
more than one such Subject Currency and different*

## FORM OF PRICING SUPPLEMENT

*EM Disruption Fallbacks (or components thereof) also apply thereto)*

(e) EM Cumulative Events: [Not applicable][Applicable and EM Maximum Cumulative Days of Postponement means *[specify]*]

*(Specify in respect of each Subject Currency where EM Foreign Exchange (FX) Rate Provisions apply to more than one such Subject Currency and different EM Disruption Fallbacks (or components thereof) also apply thereto)*

(f) EM Number of Settlement Days: [Two][Zero][specify other number of days] [where Settlement Day Centre(s) means *[specify]*]

(g) EM Number of Postponement Settlement Days: [[Two][specify]] [Business Days][EM Settlement Days] *[specify]*

**40. Combination Note Redemption:** [Applicable][Not applicable]

*(Applicable in relation to Reference Item Notes linked to a combination of types of Reference Items)*

*(If applicable, complete relevant prompts from Paragraphs [36] to [40] above)*

**41. Provisions applicable to Instalment Notes:** [Applicable][Not applicable]

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

(i) Instalment Amounts: *[specify]*

(ii) Instalment Dates: *[specify]*

**42. Provisions applicable to Physical Delivery:** [Applicable][in accordance with Credit Linked Conditions and paragraph [39] above][where the Issuer has exercised its option to vary settlement pursuant to the application of Variation of Settlement per paragraph 45 below][Not applicable]

*(If not applicable or the Notes are Credit Linked Notes, delete the remaining sub-paragraphs of this paragraph)*

(i) Entitlement Amount: *[Insert formula, relevant value(s) and other related definitions from Payout Condition 4][A nominal amount of the Relevant Asset equal to *[specify]*][Bond Asset provisions apply]*

(ii) Relevant Asset(s): *[specify]*

*(for bonds, include the following as applicable:)*

## FORM OF PRICING SUPPLEMENT

- [ISIN: *[specify]*]
- [Issuer: *[specify]*]
- [Maturity: *[specify]*]
- [Coupon: *[specify]*]
- (iii) Unwind Costs: [Applicable:*[specify]*][Standard Unwind Costs][Not applicable]
- (iv) Cut-off Date: *[specify]*[As specified in General Condition 4(b)]
- (v) Settlement Business Day(s): *[specify]*
- (vi) Delivery Agent: [Banco Comercial Português, S.A.][Dealer]*[specify]* of *[specify address]*
- (vii) Assessed Value Payment Amount: [Applicable][Not applicable]
- (viii) Failure to Deliver due to Illiquidity: [Applicable][Not applicable]
- 43. Provisions applicable to Partly Paid Notes; amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:** [Not Applicable]*[give details]*
- 44. Variation of Settlement:** The Issuer [has][does not have] the option to vary settlement in respect of the Notes as set out in General Condition 4(b)(ii) [The minimum period of notice is *[specify]*][and][the maximum period of notice is *[specify]*]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 45. Form of Notes:** [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the permanent Global Note]]<sup>29</sup>
- [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date]<sup>30</sup>

<sup>29</sup> In relation to any Tranche of Notes which are expressed to be issued in denominations of EUR100,000 and integral multiples of EUR 1,000 the Global Note will not be exchangeable at the option of the holder.

<sup>30</sup> In relation to any Tranche of Notes which are expressed to be issued in denominations of EUR100,000 and integral multiples of EUR 1,000 the Global Note will not be exchangeable at the option of the holder.

## FORM OF PRICING SUPPLEMENT

- [Permanent Bearer Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]]<sup>31</sup>
- [Book Entry Notes: *nominativas*/Book Entry Notes: *ao portador*]
46. **New Global Note:**<sup>32</sup> [Yes][No]
47. (i) Financial Centre(s): [Not applicable][*give details*]
- (ii) Additional Business Centre(s): [Not applicable] [*specify*] (*Note that this paragraph relates to the place of payment and not interest period end dates. All relevant Financial Centre(s) (including the location of the relevant agent(s)) should be included other than TARGET 2*)
48. **Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature):** [Yes as the Notes have more than 27 Coupon payments, Talons may be required if, on exchange into definitive form, more than 27 Coupons are still to be made][No]
49. **Redenomination, renominalisation and reconventioning provisions:** [Not applicable][The provisions in General Condition 7 apply]
- [*N.B.: Only applicable for Notes not denominated in EUR*]
50. **Other terms or special conditions:** [Not applicable/*give details*]

## RESPONSIBILITY

[The Issuer accepts responsibility for the information contained in this Pricing Supplement. [*Insert relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

Duly authorised

<sup>31</sup> In relation to any Tranche of Notes which are expressed to be issued in denominations of EUR100,000 and integral multiples of EUR 1,000 the Global Note will not be exchangeable at the option of the holder.

<sup>32</sup> You should only elect "yes" opposite "New Global Note" if you have elected "yes" to the section in Part B under the heading "Operational Information" entitled "Intended to be held in a manner which would allow Eurosystem eligibility".

## FORM OF PRICING SUPPLEMENT

### PART B - OTHER INFORMATION

#### 1 Listing and Admission to trading

[Application [has been made/will be made] by the Issuer (or on its behalf) for the Notes to be listed on *[specify market – note this must not be a regulated market]* with effect from *[specify]*.] [Not Applicable]

#### 2 Ratings

Ratings:

[The Notes to be issued [[have been][are expected to be]] rated *[insert details]* by [insert the legal name of the relevant credit rating agency entity(ies)].

*(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus)*

#### 3 [Interests of Natural and Legal Persons Involved in the Issue]

[Save for any fees payable to the Dealer[s]], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.] [A fee has been paid by the Dealer to a third party [distributor]. For specific and detailed information on the nature and quantity of such fee, the investor should contact the [distributor]*[specify]* in respect of the Notes][The Notes have been sold by the Dealer to a third party [distributor] at a discount to the specified issue price. For specific and detailed information on the nature and quantity of such discount, the investor should contact the [distributor]*[specify]* in respect of the Notes]

#### 4 Operational Information

- (i) ISIN Code: *[specify]*
- (ii) Common Code: *[specify]*
- (iii) Valoren Code: *[specify]*[Not applicable]
- (iv) Other Code(s): *[specify]*[Not applicable]
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg approved by the Issuer and the Principal Paying Agent and the relevant identification number(s): [Not applicable]*[give name(s)]*
- (vi) Delivery: Delivery [against][free of] payment
- (vii) Additional Paying Agent(s) (if any): *[specify]*
- (viii) Intended to be held in a manner [Yes. Note that the designation "yes" simply means

## FORM OF PRICING SUPPLEMENT

which would allow Eurosystem eligibility

that the Notes are intended upon issue to be deposited with one of the ICSDs as Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday 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.]

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity of securities settlement system and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)] [include this text for registered notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

*(NB if "yes" selected the Bearer Notes must be issued in NGN form)*

## 5 DISTRIBUTION

5.1 Method of distribution:

[Syndicated][Non-syndicated]

5.2 (i) If syndicated, names [and addresses] of Managers [and underwriting commitments/quotas (material features)]:

[Not applicable][*give names [and addresses] of each entity acting as underwriter [and its respective underwriting commitments]*]

*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place*

## FORM OF PRICING SUPPLEMENT

*the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*

- (ii) Date/Description of Subscription Agreement: [insert details][Not applicable]
- (iii) Stabilisation Manager(s) (if any): [Not applicable][give name]
- 5.3 If non-syndicated, name [and address] of relevant Dealer: [Not applicable][give name [and address]]

[The Issuer reserves the right to appoint other distributors during the Offer Period, which will be communicated to investors by means of a notice published as specified in paragraph [specify].]

[No underwriting commitment is undertaken by the Distributor.]

5.4 U.S. Selling Restrictions:

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold, pledged, assigned, delivered or otherwise transferred, exercised or redeemed, at any time, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

Each Dealer (1) has acknowledged that the Notes have not been and will not be registered under the Securities Act, or any securities laws of any state or other jurisdiction in the United States, and the Notes are not being offered, sold or delivered and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons; (2) has represented, as a condition to acquiring any interest in the Notes, that neither it nor any persons on whose behalf or for whose account or benefit the Notes are being acquired is a U.S. Person, that it is not located in the United States, and was not solicited to purchase Notes while present in the United States; (3) has agreed not to offer, sell or deliver any of the Notes, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person; and (4) has agreed that, at or prior to confirmation of sale of any Notes (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it a written notice containing language substantially the same as the foregoing. As used



## FORM OF PRICING SUPPLEMENT

herein, "United States" means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Dealers have represented and agreed that they have not offered or sold Notes and will not offer or sell Notes at any time except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Dealers have represented and agreed that neither they, their affiliates (if any) nor any person acting on behalf of any of them has engaged or will engage in any directed selling efforts with respect to Notes, and they have all complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them in Regulation S.

An offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act.

Reg. S Compliance Category 2; [TEFRA D][TEFRA C][TEFRA not applicable]

- 5.5 Additional U.S. Federal Income Tax Considerations: [The Notes are [not] Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986. [Additional information regarding the application of Section 871(m) to the Notes will be available from [give name(s) and address(es) of Issuer contact].]] *(The Notes will not be Specified Notes if they (i) are issued prior to January 1, 2018 and provide a return that differs significantly from the return on an investment in the underlying 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, 2018 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 Specified Notes, include the "Additional information" sentence and provide the appropriate contact information at the Issuer.)]*

## 6 [Index/Other Disclaimer]

The issue of this series of Notes (in this paragraph, the "Transaction") is not sponsored, endorsed, sold, or promoted by [NAME OF INDEX/OTHER] (the "Index") or [NAME OF INDEX/OTHER SPONSOR] (the "Index Sponsor") and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the

## FORM OF PRICING SUPPLEMENT

Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any Transaction. The Issuer shall not have any liability for any act of failure to act by the Index Sponsor in connection with the calculation adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date, none of the Issuer or its affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.]

*(Insert unless the relevant Index has a bespoke disclaimer, in which case, substitute such bespoke disclaimer)*

*(Delete this section 6 if not required)*

## **USE OF PROCEEDS**

### **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for general corporate purposes, which include making a profit.

## DESCRIPTION OF BANCO COMERCIAL PORTUGUÊS, S.A.

### DESCRIPTION OF BANCO COMERCIAL PORTUGUÊS, S.A.

#### DESCRIPTION OF THE BUSINESS OF THE GROUP

##### A. Description of the Business of the Group

###### Overview

Millennium bcp Group (the "**Group**") is one of the largest privately owned banking groups (and the second largest overall) in Portugal by distribution network, total assets, loans to customers (gross, excluding off balance sheet securitisations) and customer funds, as at 30 June 2016 (based on data from the Bank of Portugal). The Group offers a wide range of banking products and related financial services, both in Portugal and internationally, namely demand accounts, instruments of payment, savings and investment products, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others, and its customers are served on a segmented basis. Internationally, the Group has significant operations in Poland, Angola (on 22 April 2016, BMA merged with BPA and has a result the Group deconsolidated the Angola operation which is now consolidated under the equity method) and Mozambique. In addition, the Bank has a presence in Switzerland, the Cayman Islands and Macao.

In accordance with IFRS, the Group had, at 30 September 2016, total assets in the amount of EUR 73,042 million and total customer funds (including customer deposits, debt securities, asset management and capitalisation insurance) in the sum of EUR 63,354 million. Loans to customers (gross) amounted to EUR 52,610 million. According to the interpretation of the CRD IV/CRR, the CET 1 phased-in ratio pro forma reached 12.2% and the CET 1 fully-implemented ratio pro forma reached 9.5%, as at 30 September 2016<sup>33</sup>. Based on the latest available data from the Bank of Portugal, the Group accounted for 18% of loans to customers (gross) and 17.3% of deposits in the Portuguese banking sector on 30 June 2016.

In addition, on 30 September 2016, the Bank was the twelfth largest company listed on Euronext Lisbon in terms of market capitalisation (EUR 910 million).

The Bank is registered with the Commercial Registry Office of Oporto under the sole commercial registration and tax identification number 501 525 882 and its registered offices are located at Praça Dom João I, 28, 4000–295 Oporto, with telephone number +351 211 134 001.

The Bank operates notably under the Portuguese Companies Code and the Banking Law.

###### Bank History

BCP was incorporated on 17 June 1985 as a limited liability company ("*sociedade anónima*") organised under the laws of Portugal following the deregulation of the Portuguese banking industry. BCP was founded by a group of over 200 shareholders and a team of experienced banking professionals who sought to capitalise on the opportunity to form an independent financial institution that would serve the then underdeveloped Portuguese financial market more effectively than state-owned banks.

While the Bank's development was initially characterised by organic growth, a series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services. In March 1995, BCP acquired control of Banco Português do Atlântico, S.A. ("**Atlântico**"), which was then the largest private bank in Portugal. This was followed by a joint takeover bid for the whole share capital of Atlântico, launched together with Companhia de Seguros Império ("**Império**"), a Portuguese insurance company. In June 2000, Atlântico was merged into BCP. In 2000, BCP also acquired Império, along with Banco Mello and Banco Pinto & Sotto Mayor. In 2004, with a view to strengthening its focus on the core business of distribution of financial products and optimising capital consumption, BCP sold insurers Império Bonança,

<sup>33</sup>

Calculated on the basis of Regulation No. 3/95 of the Bank of Portugal and Law No. 61/2014, of 26 August 2014.

Seguro Directo, Impergesto and Servicomercial to the Caixa Geral de Depósitos group. BCP also entered into agreements with Fortis (currently Ageas) for the sale of a controlling stake and management control of insurers Ocidental - Companhia Portuguesa de Seguros, S.A., Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., as well as the pension fund manager PensõesGere - Sociedade Gestora de Fundos de Pensões, S.A. Consistent with the Bank's strategy on re-focusing its core business and maintaining capital discipline, between 2005 and 2007, the Bank sold Interbanco S.A., Credilar and sold or reduced its holdings in Friends Provident, Banca Intesa, Powszechny Zakład Ubezpieczeń, ONI, Banco Sabadell and Energias de Portugal.

The Bank has historically concentrated on businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of Portuguese origin (such as Angola, Mozambique, the United States, Canada, France, Luxembourg and Macao), as well as in markets where the Bank's successful Portuguese business model can be effectively exported and tailored to suit such local markets (such as Poland, Greece and Romania). The Bank has operated in Poland since 1998, originally through a joint venture with the Polish financial group Big Bank Gdąński ("**BBG**") and afterwards with a 65.5% shareholding in Bank Millennium S.A., which was acquired by BCP in 2006. The Bank launched its Greek operations in 2000 and its Romanian operations in 2007. After the consolidation of its position in the Portuguese banking market, the Bank focused on the development of its retail business in new regions, with the goal of attaining significant positions in emerging markets in Europe and in Africa.

The Bank has pursued a consistent strategy of market segmentation. Until 2003, these segments were served through autonomous distribution networks operating under a variety of brand names. In October 2003, BCP began the process of replacing these brands in Portugal with a single brand name Millennium bcp. The rebranding in other markets was completed in 2006. All operations of the Bank are now carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

In recent years, the Bank has refocused on operations that it considers core to its business. As part of this refocus, the Bank divested several of its international operations (in Canada, France and Luxembourg), while retaining commercial protocols to facilitate remittances from Portuguese emigrants in those markets.

In 2004, the Bank also sold its non-life insurance businesses and divested a portion of its life insurance business by entering into a joint venture with Ageas (formerly Fortis), named Millenniumbcp Ageas, of which 51% is held by Ageas and 49% by the Bank. In addition, as part of its continued strategic refocus, in 2010, the Bank completed the divestment of assets classified as non-core through the sale of Millennium bank in Turkey (in which the Bank had retained a 5% stake), the divestment of which has now been completed, and Millennium bcp bank in the United States. In 2010, the Bank transformed its Macao off-shore branch into an on-shore branch. In September 2011, the Bank signed a partnership agreement with BPA for the incorporation of a bank in Brazil. The partnership sought to furnish access to the Brazilian market, namely in the trade finance and corporate finance areas, which reflects the Bank's new strategic agenda of refocusing in affinity markets.

In 2010, in response to the worsening of the economic and sovereign crisis, the Bank carried out an adjustment to its strategic agenda based on three priority lines: (i) "Increasing Trust", in particular through strengthening customer relations, achieving higher capital ratios through the reduction of risk weighted assets, maintaining control of the commercial gap and improving net income; (ii) "Preparing the path out of the economic and financial crisis", particularly through the repricing of loans, growth of customer funds, improvement of collateral in credit operations, significant increase of eligible assets with central banks and the launch of an innovative bank based on the ActivoBank platform; and (iii) "Focus and Sustainability", through organisational streamlining, cost control, effective charge of commissions for provided services and focus on the international portfolio.

On 28 February 2012, the General Meeting of Shareholders approved amendments to the Articles of Association of the Bank, thereby adopting management restructuring through introduction of a one-tier management and supervisory model, composed of the Board of Directors, including an Executive Committee and Audit Committee (the latter comprising non-executive members, in accordance with the applicable law), and of the

Statutory Auditor. An International Strategic Board was also created for the purpose of ensuring the development of the international expansion strategy of the Bank, and entrusted with the analysis and assessment of this strategy, as well as supervision over its development and implementation.

The Bank completed the Recapitalisation Plan approved by the General Meeting of Shareholders on 25 June 2012, which took place in two phases: (i) public investment, consisting of hybrid instruments qualifying as Core Tier 1 capital, in the amount of EUR 3,000 million, concluded at the end of June, and (ii) private investment, consisting of a rights issue, in the amount of EUR 500 million, at the price of EUR 0.04 per ordinary share, which was completed in early October 2012. The Bank thus fulfilled the regulatory requirements established by the EBA and delivered its Core Tier 1 ratio of 9.7% in June 2012 and 9.8% in December 2012. Adjusted for the sovereign debt buffer of zero as at 31 December 2012, the Core Tier 1 ratio as at 31 December 2012 was 11.4%, according to the EBA and 12.4% in December 2012 according to the criteria of the Bank of Portugal. As at 31 December 2013, the Core Tier 1 ratio, according to the EBA criteria, was 10.8% and, adjusted for the sovereign debt buffer of zero as at 31 December 2013, the ratio was 12.8%. As at 31 March 2014, the Core Tier 1 ratio, according to the EBA criteria, was 11% and adjusted for the sovereign debt buffer of zero as at 31 December 2013, the ratio was 12.9%. As a result of the Recapitalisation Plan implemented by the Bank, and the terms provided by law, on 3 December 2012, the Portuguese government appointed two non-executive members to the Board of Directors to hold office during the term of the public investment, aimed at strengthening the Bank's own funds.

In December 2012, the Bank prepared and presented to the Portuguese government a Restructuring Plan, required by national law and by the applicable European rules on matters of State aid. The Restructuring Plan was formally submitted by the Portuguese government to the EC, in observance of the maximum period of six months after the approval of the Bank's Recapitalisation Plan as provided by the Decision 8840-B/2012 of the Minister of State and Finance, of 28 June 2012, and published in the Official Gazette of Portugal Series on 3 July 2012.

In July 2013, the Bank was informed that an agreement between Portuguese authorities and the EC had been reached regarding BCP's Restructuring Plan, entailing an improvement of the profitability of the Bank in Portugal through continued cost reduction. On 2 September 2013, the DG Comp announced its formal decision in connection with its agreement with the Portuguese authorities concerning the Bank's Restructuring Plan. Pursuant to the decision, the Bank's Restructuring Plan was found in compliance with the European Union's rules relating to State aid, demonstrating the Bank's viability without continued State support.

The approved Restructuring Plan aimed at strengthening the Bank's strategy by focusing on its core activities and is designed to emphasise: (i) reinforcement of funding to the economy in full compliance with the regulatory capital levels requirements; (ii) the strategic focus of activity by separating assets deemed core and non-core (securities-backed lending, highly leveraged loans, subsidised mortgage loans and loans to certain segments associated with construction, football clubs and real estate development), aiming to reduce non-core assets gradually; (iii) deleveraging of the balance sheet, with divestment of non-core assets and achievement of a LTD (loans-to-deposits) ratio of 120% from 2015 onward; (iv) improving operational efficiency, achieving a return on equity ("**ROE**") minimum of 10% and a cost-to-income maximum of 50%, both from 2016 onwards; (v) implementation of a new approach in the asset management business by adopting an open-architecture distribution model, allowing for a wider range of customers' investment options; and (vi) continuation of the process of adjustment of the Bank's structure in the domestic market, in particular by optimising the number of branches and other areas of business support, highlighting the continuity of staff policies that adjust the staff to the demand for banking services. In particular, the agreement implies a reduction of about 25% of staff-related costs from December 2012 to December 2015 (an important part of this effort has already materialised in 2012 and 2013).

In addition, the Restructuring Plan underlines the significance of the strategic operations in Angola and Mozambique, which are important contributors to the strategy to support the business community and the net income of the Bank. Bank Millennium in Poland is considered a core operation, thus there was no commitment

to sell unless the outstanding amount of GSIs by December 2016 exceeded EUR 700 million (which was not the case).

On the international front, the Restructuring Plan envisages the sale of BCP's operations in Romania in the medium term.

On 22 April 2013, BCP and Piraeus Bank SA entered into definitive agreements in connection with: (i) the sale of the entire share capital of Millennium Bank in Greece, and (ii) BCP's investment in the forthcoming capital increase of Piraeus Bank SA. The sale of the entire share capital of Millennium Bank in Greece to Piraeus Bank SA, pursuant to the general conditions as announced on 22 April 2013, was completed on 19 June 2013.

As anticipated, the exit from the Greek market took place on 30 October 2013 when the completion of BCP's disposal of its entire stake in Piraeus Bank SA was announced. Proceeds from the sale amounted to EUR 494 million, thereby appreciating in relation to the acquisition price of EUR 94 million. The transaction significantly reduced the balance sheet risk, with a very positive effect on the Bank's Core Tier 1 capital, improving it by close to 40 basis points compared with 30 September 2013.

In December 2013, the Bank announced it had signed a memorandum of understanding with the labour unions to implement a process of salary adjustments for a temporary period, which is expected to allow BCP to achieve the agreed targets with the DG Comp and the Portuguese State to reduce staff costs. The implementation of this agreement will be in force from July 2014 onward.

On 26 May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A.

On 27 May 2014, BCP announced that it repaid, on that date, EUR 400 million GSIs after having received the authorisation from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios.

On 24 June 2014, BCP announced that the Board of Directors of Millennium bcp had resolved, with the favourable prior opinion of the Audit Committee, to increase the share capital of the Bank by approximately EUR 2,250 million, through an offering of subscription rights to subscribe for 34,487,542,355 new ordinary shares, without nominal value, to existing holders of the Bank's ordinary shares, and other investors who acquire subscription rights (the "**2014 Rights Offering**").

The subscription price was set at EUR 0.065 per share at a ratio of seven new ordinary shares for four ordinary shares held. The subscription price represented a discount of approximately 34% to the theoretical ex-rights price based on the closing price of Millennium bcp shares on Euronext Lisbon on 24 June 2014.

Each holder of the Bank's ordinary shares received one subscription right for each ordinary share it owns.

On 22 July 2014, the Bank announced the results of the share capital increase: 34,082,211,308 ordinary shares were subscribed to pursuant to the exercise of subscription rights, representing about 98.8% of the total number of ordinary shares to be issued pursuant to the 2014 Rights Offering. The remaining 405,331,047 ordinary shares were available to satisfy oversubscription orders. Oversubscription orders totalled 9,243,741,767 ordinary shares, which exceeded about 21.8 times the amount available. The total demand registered in this capital increase accounted for approximately 125.6% of the amount of the 2014 Rights Offering.

The transaction represented an important step in order to allow the total reimbursement of EUR 2,250 million of GSIs to the Portuguese State (of which EUR 400 million occurred in May and EUR 1,850 million to be authorised by the Bank of Portugal in the third quarter of 2014).

On 30 July 2014, the Bank announced the assignment of the agreement with OTP Bank regarding the sale of the entire share capital of Banca Millennium (Romania) ("**BMR**"). The transaction was subject to customary conditions, in particular to obtaining regulatory approvals.

The aggregate consideration for the sale of the share capital of BMR was agreed at EUR 39 million. On the date of closing of the sale transaction, OTP Bank will ensure full reimbursement to BCP of the intragroup funding currently provided by BCP to BMR, amounting to approximately EUR 150 million.

On 7 August 2014, the Bank announced that it intended to repay EUR 1,850 million of GSIs, after having received the authorisation from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the capital increase process.

With such repayment, the Bank is ahead of the originally defined calendar for repayment of GSIs, allowing savings of more than EUR 300 million for net income.

On 7 October 2014, the Bank announced that it had signed on that date an agreement with Corretaje e Información Monetária y de Divisas, S.A. ("**CIMD Group**") for the sale of the entire share capital of Millennium bcp Asset Management – Sociedade Gestora de Fundos de Investimento, S.A. ("**MGA**"). The agreed price for the sale of the share capital of MGA was EUR 15.75 million.

This transaction marked another step by the Bank, ahead of the deadline, to comply with the agreement signed by the DG Comp and the Portuguese Authorities concerning the Bank's restructuring plan, in line with its strategic plan.

The Bank will continue to distribute the investment funds managed by MGA. BCP is the custodian for these funds.

On 8 January 2015, the Bank announced that it had completed, on that date, the sale of BMR to OTP Bank. In accordance with the general conditions announced, the Bank received from OTP Bank, on that date, EUR 39 million as consideration for the sale. OTP Bank also ensured full reimbursement to the Bank of the intragroup funding provided by the latter to BMR, amounting to approximately EUR 150 million.

The sale of BMR brought forward yet another important measure on which BCP had committed with the DG Comp pursuant to its restructuring plan.

On 24 February 2015, the Bank announced that it was evaluating several scenarios to enhance the value of ActivoBank and that such process was in its initial phase. In accordance with the announcement made by the Bank on the referred date, it was not possible, at that stage, to affirm if the process would result in any transaction.

Following the announcement, on 25 March 2015, of the launch of an accelerated placement to institutional investors of 186,979,631 ordinary shares of Bank Millennium constituting 15.41% of the Bank Millennium's existing share capital, the Bank announced, on 26 March 2015, the pricing of such accelerated placement, at a price of PLN6.65 per ordinary share. Gross proceeds raised by the Bank from the Placement are expected to be approximately PLN 1.24 billion (EUR 304 million), resulting in an increase in the Group CET 1 ratio versus end-2014 figures of 0.46% under fully-implemented rules and of 0.64% according to phased-in criteria. After the completion of the Placement, BCP continues to hold a majority shareholding in Bank Millennium, corresponding to 50.1% of the Company's share capital.



On 17 April 2015, the Bank announced a public exchange offer (the "**Offer**"), submitted to the resolution of the Bank's General Meeting of Shareholders, which, according to the expected acceptance, is estimated to reinforce CET 1 ratios by approximately 0.70% when compared to December 2014. The Offer prevents future hits to capital, as eligibility for capital purposes of the securities being targeted by the Offer will cease over the coming years reflecting the CRD IV/CRR.

On 18 May 2015, the Bank announced the completion of the sale of MGA to CIMD Group. In accordance with the terms previously announced, the CIMD Group acquired the whole share capital of MGA.

On 11 June 2015, the Bank announced the results of the share capital increase with a partial and voluntary public tender offer for the acquisition of securities, highlighting notably the following: (i) securities in a global nominal amount of EUR 481,208,950 were contributed in this share capital increase, representing around 75.71% of the total amount available for exchange; (ii) as a consequence of the subscriptions made, 4,844,313,860 ordinary, nominative and book-entry shares with no par value were issued, at the issue price of EUR 0.0834 per share, which corresponds a total amount of the share capital increase of EUR 387,545,108.8; and (iii) with the conclusion of the Offer, the Bank reached pro forma CET 1 ratio in March 2015, after the share capital increase, of 12.7% on a phased-in basis<sup>34</sup>.

Following the announcement made by the Bank on 8 October 2015, the Bank informed on 25 April 2016 that the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. had been executed.

On 30 July 2016, the Bank informed that it had received a letter from Fosun, containing a firm proposal for an investment in the share capital of BCP on the terms and conditions set forth in a Proposal Guidelines of Agreement. It also informed that Fosun proposed to subscribe to a private placement reserved solely to Fosun, to be resolved by BCP's board pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, through which, at current levels, Fosun would hold a shareholding of around 16.7% of the total share capital of BCP (the "Reserved Capital Increase"). Fosun also considered increasing its stake through secondary market acquisitions or, in the context of future capital increases of BCP, with an aim of potentially increasing Fosun's shareholding to 20%-30% of BCP.

Pursuant to the proposal by Fosun, the execution of the Reserved Capital Increase was made subject to the satisfaction or waiver of a number of conditions precedent, including: (i) approval of the acquisition of a qualified holding by Fosun by the banking supervision authorities and completion of meetings and/or discussions with the EC; (ii) clarification by the relevant authorities as to no need for a special contribution to and no immediate accounting recognition of potential future contributions to the Resolution Fund; (iii) implementation and registration of the reverse share split process as approved by BCP's shareholders in the general assembly held on 21 April 2016; (iv) the subscription price for the Reserved Capital Increase not exceeding EUR 0.02 (adjusted for the reverse share split); (v) approval by the Board of Directors of a proposal to be submitted to the General Meeting of Shareholders in order to increase the limit on voting rights prescribed by Article 26 of the Bank's Articles of Association to 30%; (vi) approval by the Board of Directors of the co-optation of two new members appointed by Fosun to the Board of Directors; and (vii) the absence of any material adverse change situations affecting BCP or the Reserved Capital Increase.

On 27 September 2016, the Board of Directors of BCP acknowledged the substantial progress in the negotiations with Fosun, including on the fulfilment of several of the abovementioned conditions precedent, and resolved to mandate the Executive Committee to proceed with, and to complete with exclusivity, the negotiations with Fosun.

On 24 October 2016, BCP concluded a reverse share split or regrouping of the Bank's share capital of 1:75, with every 75 shares being regrouped into one share. Immediately prior to the share split BCP had

---

<sup>34</sup> Calculated on the basis of Regulation No. 3/95 of the Bank of Portugal and Law No. 61/2014, of 26 August 2014, relating to deferred tax assets and the net results of the first quarter of 2015.

59,039,023,275 shares and BCP's share price in the Euronext Lisbon regulated market was EUR 0.0179; immediately after the reverse share split BCP had 787,186,977 shares and BCP's share price in the Euronext Lisbon regulated market was EUR 1.35. The historical share information presented in "Market Data" has been adjusted for the reverse share split as if the split had occurred on 1 January 2013. The historical share information presented elsewhere in this Prospectus has not been adjusted and treats the reverse share split as occurring on 24 October 2016, the day on which it occurred.

On 20 November 2016, BCP announced the approval by its Board of Directors of the result of negotiations with Fosun as well as the increase of BCP's share capital, through a private placement, as follows:

A. Memorandum of Understanding and Subscription Agreement with Fosun

On 18 November 2016, BCP and Fosun have entered into a Memorandum of Understanding setting out the terms of Fosun's investment in the share capital of BCP ("**MoU**"), pursuant to which Chiado, affiliate of Fosun, agreed to invest in BCP through a private placement of 157,437,395 new shares (the "**Reserved Capital Increase**").

Observing the corporate governance procedures applicable to BCP, and for the current mandate ending in 2017, the MoU provides for the co-optation of: (i) two board members, whose appointment as additional members of the Executive Committee will also be proposed, with one of them to be appointed to the role of an additional Vice-President of the Executive Committee; and (ii) subject to Chiado holding at least 23% of the share capital of BCP, three non-executive directors, with one of them to be appointed to the role of Vice-Chairman of the Board of Directors and one proposed as a member of Committee for Nominations and Remunerations.

In light of the synergies and business development opportunities, the MoU foresees subsequent discussions for, on an arms' length basis, and without a commitment on the results, establishing long-term insurance distribution agreements outside of Portugal.

To effect the above, Fosun and Chiado also agreed to a lock-up in respect of the sale of shares subscribed by it under the Reserved Capital Increase for a period of three years from the date of subscription.

Fosun has reaffirmed in the MoU its strong interest to subsequently raise its shareholding in BCP to around 30% of its share capital through primary or secondary market transactions, once the increase of the voting cap to 30% of the share capital is approved.

B. Reserved Capital Increase

In accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from € 4,094,235,361.88 to € 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of €1.1089 per new share.

The abovementioned share capital increase by way of private placement has already been subscribed for by Chiado, and its registry has been requested to the competent Commercial Registry Office on 18 November 2016.

The new ordinary shares entitle their holders to the same rights as those of previously existing shares.

On 9 January 2017 the Bank announced, in the applicable legal terms and with the applicable legal effects and pursuant to the authorisation set out in Article 5 of BCP's by-laws, as renewed at the General Meeting of Shareholders of 21 April 2016, that the Board of Directors of BCP resolved, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from €4,268,817,689.20 to €5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights,

and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value .

The subscription price was set at €0.0940 per share. The subscription price represented a discount of approximately 38.6% to the theoretical ex-rights price based on the closing price of BCP shares on Euronext Lisbon on 9 January 2016.

Each holder of BCP's ordinary shares would receive one subscription right for each ordinary share it owned.

Further to the subscription by Chiado of the Reserved Capital Increase completed on 18 November 2016 through which Chiado came to hold a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares in the Rights Offering that, if satisfied in full, would increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and/or the potential exercise of further subscription rights that may be acquired by Chiado.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Rights Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

BCP was informed that, in the context of the change to the voting cap provided in the articles of association of BCP to 30%, Sonangol requested and obtained authorisation from the ECB to increase its stake in the share capital of BCP to up to circa 30%. The Bank further announced that it had no information regarding Sonangol's decision with reference to the Rights Offering, notably as to the exercise, sale and/or purchase of subscription rights.

BCP announced that it intended to use the proceeds from the capital increase to repay the GSIs in full shortly after completion of the Rights Offering (at such date outstanding in the amount of €700,000,000, following the repayment of €50,000,000 on 30 December 2016) and to strengthen BCP's balance sheet. For this purpose, the Bank has received the ECB's and the Bank of Portugal's authorization to fully repay the remaining GSIs, subject to the successful completion of the Rights Offering.

On 3 February 2017, the Bank announced that the above mentioned share capital increase had been fully subscribed, resulting in the issuance of 14,169,365,580 ordinary, registered and book-entry shares, without nominal value, with the issuance price and subscription price of €0.094 per share. 13,943,683,125 ordinary shares were subscribed to pursuant to the exercise of subscription rights, representing about 98.4% of the total number of ordinary shares to be issued pursuant to the Rights Offering. The remaining 225,682,455 ordinary shares were available to satisfy oversubscription orders. Oversubscription orders totalled 3,463,624,516 ordinary shares, which exceeded about 14.3 times the amount available. The total demand registered in this capital increase accounted for approximately 122.9% of the amount of the Rights Offering.

On 9 February 2017, BCP repaid the outstanding GSIs, in the amount of €700,000,000.

## **1. Business Overview**

### **Nature of Operations and Principal Activities**

The Group is engaged in a wide variety of banking and related financial services activities, in Portugal and internationally. The Bank operates in foreign markets, being present in the following markets: Poland, Switzerland, Mozambique and Angola (through its associated company Banco Millennium Atlântico). In

Portugal, the Bank's operations are primarily in retail banking, but it also offers a complete range of additional financial services (in accordance with article 3 of the articles of association of the Bank, which provides that "the purpose of the Bank is to engage in banking activities with such latitude as may be permitted by law"). The Bank also engages in a number of international activities and partnerships.

The Bank's banking products and services include demand accounts, instruments of payment, savings and investments, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others. The Bank's domestic retail banking activities are conducted mainly through its marketing and distribution network in Portugal, which follows a segmented approach to the Portuguese retail banking market and serves the diverse banking needs of specific groups of customers. Back office operations for the distribution network are integrated in order to explore economies of scale.

The Bank has subsidiaries that offer additional financial services, including investment banking, asset management and insurance. These subsidiaries generally distribute their products through the Bank's distribution networks. The Bank's retail banking and related financial services activities, together with its international operations and partnerships, are described in greater detail below.

## Strategy

In September 2012, BCP presented a new Strategic Plan, comprising three phases, to be implemented by 2017 (Strategic Plan).

The Strategic Plan was updated in September 2013, following the approval of BCP's Restructuring Plan by the EC, and in June 2014, in the context of the capital increase operation, the targets of the Strategic Plan were further updated. The three phases of the Strategic Plan are the following:

Phase 1 (2012 to 2013): Define the foundations for sustainable future development

1. During the first phase of the Strategic Plan, the key priority consisted in reinforcing the balance sheet by reducing the dependence of funding on the wholesale market and increasing regulatory capital ratios.

Phase 2 (2014 to 2015): Creating conditions for growth and profitability

2. During the second phase of the Strategic Plan, the focus is on the recovery of profitability of the Bank's domestic operations, combined with the continued development of the international subsidiaries in Poland, Mozambique and Angola. The improvement in domestic profitability is expected to be mainly driven by: (i) the increase in net interest income by reducing the cost of deposits and changing the credit mix, with a focus on products with better margins; (ii) the continued focus on the optimisation of operating costs by reducing the number of employees and eliminating administrative overlapping, and (iii) the adoption of rigorous credit risk limits thus reducing the need for provisions.

Phase 3 (2016 to 2017): Sustained growth

3. During the third phase, management will focus on achieving a sustained growth of net income, benefiting from the successful implementation of the first two phases of the Strategic Plan, a better balance between the contributions of the domestic and international operations towards profitability and the conclusion of the winding down/divestment process of the Bank's non-core portfolio.

For the 2016-2018 triennial, the Bank defined a new set of strategic priorities for the operation in Portugal aiming to build a sustainable bank adapted to the new needs of the market and of its customers ("**Strategic Agenda**"). To this end, the Bank defined 9 pillars which include various initiatives to be developed. Over 100 employees are involved with the execution of the initiatives identified in the 2016-2018 Strategic Agenda.

In relation to BCP's business model, six transformation fronts were launched:

- (i) To redefine the retail distribution model, exploiting the potential of new technologies, namely in the digital area (internet banking and mobile banking, among others).
- (ii) To relaunch the affluent individuals segment, by adjusting the service model and taking up a position of leadership.
- (iii) To consolidate the position of leadership in providing support to micro businesses and small enterprises.
- (iv) To adjust the business model of the growth oriented corporate segment, in order to be the reference bank in providing support to the Portuguese economy.
- (v) To transform the credit recovery business through an integrated strategy of reduction of the Non Core Business Portfolio, which may include the divestment of assets and the optimisation of the recovery operating model.
- (vi) To build on the operating model of the Bank, by simplifying and automating processes, with a view to optimising the levels of service provided to the customers.

In order to transform the Bank into a healthier organisation and to increase involvement with its stakeholders, there are three organisation wide work fronts underway:

- 1. Definition of the level of risk to be adopted in each business area with the implementation of the Risk Appetite framework.
- 2. Promotion of a business sharing culture between business areas and geographies.
- 3. Launch of a cultural transformation programme of the organisation with a focus on the development of human resources, the improvement of its satisfaction and the consolidation of a set of values that guide the action of the Bank.

During Phase 3, management has been focusing on the renewal of the branch network, innovation and communication. The new initiatives developed within the scope of the 2016–2018 Strategic Agenda are already visible externally. Over 30% of the Mass Market and 46% of the Prestige Segment Branches had been renewed as at 30 June 2016. 26 branches have a new layout, providing a seamless digital experience for customers. Moreover, the digital platforms were improved with new functionalities, including online loan processes, opening of online accounts and a new mobile application for business customers, allowing them to manage projects funded with European funds.

### ***Business Model***

Part of the "back office" operations are provided by Millennium bcp Prestação de Serviços A.C.E. (formerly Servibanca), which plans, monitors and controls the costs and levels of services of the Group activities and provides various operational and technologic services and represents its members before third parties, particularly in areas of IT, operations, management and procurement.

On 28 February 2012, a General Meeting of Shareholders of the Bank was held, which approved the alteration and restructuring of the articles of association of the company, which was consolidated in the adoption of a one-tier management and supervision model, composed of a Board of Directors (that includes an Executive Committee), an Audit Committee and a Statutory Auditor.

Following the General Meeting of Shareholders held on 28 February 2012, the internal organisational model of the Bank covers four business areas: Retail, Companies, Asset Management & Private Banking and Business Abroad (Europe, Africa and Other), and two support units: Processes and Banking Services and Corporate Areas.

Regarding the internal organisation and decision-making structure, it is important to note the existence of a series of Commissions and Sub-Commissions directly appointed by the Executive Commission which, apart from the Directors who are specifically entrusted with the monitoring of matters, include the employees of the Bank or Group who are the heads of their respective areas.

As at 22 March 2016, there were 17 Commissions and four Sub-Commissions aimed at facilitating the coordination of current managerial decisions, involving the senior management of the units included in each business area, with a view to reconciling perspectives and supporting the managerial decision-making process of the Executive Commission, as follows:

- (a) **Commission for Legal Affairs:** This Commission is composed of six permanent members. In addition to two Directors with specific areas of responsibility, Miguel Maya and José Jacinto Iglésias Soares, this Commission is composed of the Heads of the Tax Advisory Department, Legal Affairs and Litigation Department and Logistics & Procurement Department, and the Company Secretary (which acts as secretary).

This Commission is entrusted with the analysis of the suitability of the legal function relative to the objectives of the Bank and the Group, promoting the effective coordination of the same, developing the awareness of the employees in general regarding legal affairs and encouraging the control and optimisation of internal and external legal means.

- (b) **Commission for Costs and Investments:** This Commission is composed of seven permanent members and upon invitation, Heads of other areas whenever the Commission appraises issues that involve them directly. In addition to three Directors with specific areas of responsibility, Miguel Maya, Miguel Bragança and José Jacinto Iglésias Soares, this Commission is composed of the Heads of the Logistics & Procurement Department, which acts as secretary, Management Information Department, Operations Department and Information Technology Department.

This Commission is entrusted with the regular follow-up of the operational evolution and optimisation of the negotiations and/or purchase of goods and services and authorisation of costs. One Sub-Commission operates under the Costs and Investments Commission, the Costs and Investments Sub-Commission.

The **Costs and Investments Sub-Commission** is responsible for the regular follow-up of the operational evolution and optimisation of the negotiations and/or purchase of goods and services and authorisation of costs and payments.

The Heads of the Logistics & Procurement (which acts as secretary), Information Technology, Management Information and Operations compose this Sub-Commission.

- (c) **Companies Commission:** This Commission is composed of 16 permanent members, and the heads of other areas also participate by invitation when justified by the topic under discussion. In addition to the Directors with specific areas of responsibility, Nuno Amado, Miguel Maya, Miguel Bragança, José Miguel Pessanha and Conceição Lucas, this Commission is composed of the Heads of the Rating, Large Corporate, Investment Banking, Corporate, Companies Banking (North, Centre and South), Management Information, Companies Marketing Department (which acts as secretary), Real Estate Business Department, Specialised Recovery Department, Specialised Monitoring Department and International Strategic Research.

This Commission ensures the assessment, preparation and planning of the following-up and development of the Bank's business in the small and medium-sized enterprise ("**SME**"), Corporate and Large Corporates and Investment Banking segments.

- (d) **Commission for Human Resources:** This Commission is composed of five permanent members, and the Heads of other areas also participate by invitation when justified by the topic under discussion. In addition to the three Directors with specific areas of responsibility, Nuno Amado, Miguel Bragança and José Jacinto Iglésias Soares, the Head of the Legal Affairs and Litigation Division and the Head of Human Resources Department, which acts as secretary, are also members of this Commission.

The primary mission of this Commission is the definition, decision and monitoring of the Bank's Human Resources policies to support the operational and business efficiency.

This Commission is entrusted with the definition of the strategy and approval of the Bank's human resource policies, namely monitoring the top 10 key performance indicators of people management, hiring and internal mobility, intelligent rightsizing; compensation, benefits and programmes related to the recognition and involvement of employees, and talent management through the approval of mechanisms and timing of performance assessment, promotions, rotation and development plans, expatriation and acceleration of specific competences, as well as communication of human resources, aimed at reinforcing the culture, expectations, strategic alignment and mobilisation of employees, and also branding and value proposal and the external image of human resources.

- (e) **Retail Commission:** This Commission is composed of 15 permanent members and the Heads of other areas who participate in meetings when justified by the topic under discussion. In addition to the Directors with the specific areas of responsibility, Nuno Amado, Miguel Maya, Miguel Bragança, José Miguel Pessanha and Rui Manuel Teixeira, this Commission is composed of the Heads of the Direct Banking Department, Communication Department, Management Information Department, Retail Marketing Department (which acts as secretary), Quality and Network Support Department, Retail Recovery Department, Residents Aboard Department, Retail Departments (North, Centre North, Centre South and South), Operation Department, Segment Department and Credit Department.

The main mission of this Commission is management and following-up of the Retail business (Individuals and Business) to ensure the provision of a value proposal and distribution model that allows the Bank to comply with its priorities in terms of profitability, customer's satisfaction, growth and risk. Two Sub-Commissions operate under the Retail Commission, the Customer Experience Sub-Commission and the Investment Products Sub-Commission.

- (i) The **Customer Experience Sub-Commission** is responsible for monitoring the evolution of the Quality and Claims Indicators and defining priorities and guidelines for the areas managing customer satisfaction and service quality.

Rui Manuel Teixeira and José Jacinto Iglésias Soares, members of the Executive Commission, Quality and Network Support, Segment Management Department, Retail Divisions, Retail Marketing (which acts as Secretary), Communication, Operations, Private Banking Marketing, Segments Management Direct Banking are part of this Sub-Commission, as well as, by invitation, other areas that are directly involved in the issues appraised.

- (ii) The **Investment Products Sub-Commission** is responsible for approving and/or monitoring:
- (a) investment processes/investment policies/benchmarks/guidelines and the performance of products managed and sold by the Bank;
  - (b) basic product range of private banking advisory services, model portfolios and products to be sold through different networks; and
  - (c) high level scenario of market evolution for each group of assets and relevant geographic area.

Miguel Bragança and Rui Manuel Teixeira, members of the Executive Commission, Retail Marketing (which acts as Secretary), Private Banking Marketing, Private Banking, Wealth Management Unit, Treasury and Markets, Direct Banking are part of this Sub-Commission, as well as, by invitation other areas that are directly involved in the issues appraised.

- (f) **Non-Core Business Commission:** This Commission is composed of 11 permanent members. In addition to the Directors with the specific areas of responsibility, Miguel Maya, Miguel Bragança and José Miguel Pessanha, this Commission is composed of, as permanent members, the Risk Officer and the Heads of the Credit Division, the Specialised Recovery Division, the Real-Estate Business Division, the Research, Planning and ALM Division, the Management Information Division, the Specialised Monitoring Division and the Head of the Non-Core Business Monitoring Area of the Risk Office, which acts as secretary.

The main mission of this Commission is the definition of the strategies and control of the process of the sale of the assets included in the Bank's non-core business portfolio.

This Commission is entrusted with analysis, monitoring and planning of the activity to be developed in the various non-core business segments and definition of the major business strategic lines to adopt; following-up the development of the most significant operations and making all the decisions regarding non-core business management, except for credit decisions, and also the evolution of the non-core business to determine if it complies with the defined objectives and with the restructuring plan.

- (g) **Compliance Office Commission:** This Commission is composed of permanent members as described:

Members of the Executive Committee (EC)	Coordination Manager/Other members
<b>Compliance Commission of the Bank</b>	
<ul style="list-style-type: none"> <li>• José Iglésias Soares</li> <li>• José Miguel Pessanha</li> <li>• Director responsible for the business, corporate or banking area, responsible for the issue under appraisal by the Commission</li> </ul>	<ul style="list-style-type: none"> <li>• Group Head of Compliance (Secretary)</li> <li>• Individual in charge of the Compliance Office Area that is managing the issue under debate</li> <li>• Head of the Division in charge of the issue under debate</li> <li>• By invitation, other areas that are directly involved in the issues appraised</li> </ul>
<b>Compliance Commission of the subsidiary company/branch</b>	
<p>In the Bank:</p> <ul style="list-style-type: none"> <li>• Director responsible for the Compliance Office</li> <li>• Director responsible for the international subsidiary company /branch</li> </ul> <p>In each international subsidiary company:</p> <ul style="list-style-type: none"> <li>• Director responsible for the Compliance Office</li> </ul>	<p>In the Bank:</p> <ul style="list-style-type: none"> <li>• <i>Group Head of Compliance</i></li> <li>• Individual in charge of the Compliance Office Area that is managing the issue under debate</li> </ul> <p>In each international subsidiary company:</p> <ul style="list-style-type: none"> <li>• Head of the Local Compliance Office</li> <li>• By invitation, other areas that are directly involved in the issues appraised</li> </ul>

The main mission of this Commission is following-up the activities carried out by the Bank and/or subsidiary companies/branches of the Group in each jurisdiction, coordinating and managing, on a



regular basis, the policies and duties of the Bank and/or of subsidiary companies/Branches of the Group in what concerns the obedience to all legal and compliance rulings, the alignment with the Group strategies and the definition of priorities.

One Sub-Commission operates under the Compliance Commission, the AML Sub-Commission.

The **AML Sub-Commission** is responsible for appraise and resolve on the proposals on communications addressed to judicial and/or supervision authorities on operations or entities suspicious of carrying out money laundering, terrorism financing or market abuse activities, ensuring the respective documentary and procedural recording, as well as appraise the individual AML risk classification proposals.

José Jacinto Iglésias Soares and José Miguel Pessanha, members of the Executive Commission, the Group Head of Compliance, Anti-Money Laundering Officer (acting as secretary of the Commission), Heads of the Compliance Areas, are part of this Sub-Commission, as well as, whenever necessary, Team Coordinators and Experts and, by invitation, other employees.

- (h) **Pension Fund Monitoring Commission:** The mission of this Commission is the monitoring of the pension fund's financial management. This Commission issues opinions on amendments to the pension plans, having been created under the terms of article 53 of Decree-Law No. 12/2006, of 20 January 2006, as amended by Decree-Law No. 180/2007, of 9 May 2007.

This Commission is composed of two permanent members of the Executive Commission, José Jacinto Iglésias Soares and José Miguel Pessanha, and may also include other members of the Executive Commission, depending on the matters scheduled for discussion, the Risk Officer, the General-Manager of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. ("Ocidental SGFP") (pension fund's holding company), the Head of the Human Resources Department, which also performs secretarial duties for this Commission. The Bank invited the Workers Committee to send a representative to this Commission. This Commission also includes three representatives of the banking industry Unions.

- (i) **Capital Assets and Liabilities Management Commission (CALCO):** The main duties of this Commission are the monitoring and management of market risks associated to assets and liabilities, the planning and making capital allocation proposal and definition of suitable policies for liquidity and market risk management for the Group as a whole. A minimum of three members of the Executive Commission are part of this Commission, as well as the Heads of the Companies and Corporate Department, Large Corporate Department, Research, Planning and Assets and Liabilities Management Department, which acts as secretary, Management Information Department, Marketing Areas, Risk Officer, Treasury and Markets & International, Investment Banking and Business Development by invitation.
- (j) **Credit Commission:** This Commission, which has the composition and competences stipulated in the Service Order on Credit Granting, Monitoring and Recovery, deliberates on the granting of loans and advances to customers (integrated or not in economic groups), whenever this involves an increase of exposure above EUR 10 million, or for situations where the Bank's exposure is above EUR 50 million and for proposals of renewal or review of credit lines and ceilings which are within the aforesaid amounts. This Commission also issues an advisory opinion on the credit proposals made by entities operating abroad and part of the Group.

The Credit Commission is composed of a minimum of three members of the Executive Commission, as well as the Heads of the Proponent Area, the Head of the Specialised Monitoring, the Heads of the Credit Department, Specialised Recovery Department, Retail Recovery Department, Legal and Litigation Advisory Division, Rating Department and the Risk Officer of the Group. This Commission also includes, according to the specific operations to be assessed and/or their nature, the Coordinating

Directors of the Commercial Areas, Investment Banking Department, Specialised Monitoring Department and Real Estate Business Department, Level 3 Credit Directors, members of the Credit Commission of the subsidiary companies operating abroad and the Compliance Officer.

This Commission is supported by secretarial services administered by the Company Secretary.

- (k) **Risk Commission:** The main duty of this Commission is the definition of the Group's risk management global framework and follow-up of the risk levels for the different types of risk.

This Commission is responsible for monitoring global risk levels (credit, market, liquidity and operating risk levels), ensuring that these are compatible with the objectives, the available financial resources and strategies approved for the development of the Group's activity. This Commission also verifies if the management of risks complies with the applicable legislation/regulations.

A minimum of three members of the Executive Commission the Compliance Officer, the Risk Officer, which acts as secretary, the Heads of the Audit Department, Credit Department, Research, Planning and Assets and Liabilities Management Department, Rating Department and Treasury and Markets Department are part of this Commission.

- (l) **Pensions Funds Risk Monitoring Commission:** This Commission is responsible for monitoring the performance and risk of the Group's Pension Funds (Defined Benefit Fund and Supplementary Fund) and establishment of appropriate investment policies and hedging strategies. Nuno Amado, Chairman of the Executive Commission, Miguel Bragança, Vice-Chairman of the Executive Commission and José Miguel Pessanha, member of the Executive Commission, the Heads of the Research, Planning and Assets and Liabilities Management Department, Human Resources Department and the Risk Officer, who administers the secretarial services, are part of this Commission, as well as, by invitation, a representative of F&C Asset Management plc, the CEO of Millenniumbcp Ageas and the CEO of Ocidental SGFP.

- (m) **Credit at Risk Commission:** This Commission is responsible for following-up the evolution of credit exposure and of the contracting process, as well as the quality of the portfolio and key performance and risk indicators, counterparty risk, risk of concentration of the largest exposures concentration risk and the evolution of impairment and the main processes that are the object of a separate assessment. This Commission also analyses the performance of the recovery processes and supervises the divestment of the real estate portfolio.

Miguel Maya and Miguel Bragança, Vice-Chairmen of the Executive Commission and José Miguel Pessanha, member of the Executive Commission, as well as the Risk Officer, who administers the secretarial services, the Heads of the Credit Department, Recovery Areas, Management Information Department, Real Estate Business Department, Rating Department and Legal and Litigation Advisory Division are also members of this Commission.

- (n) **Security Commission:** The main duties of this Commission are integrated management of the Group's security policies and following-up the main security risks and of the initiatives to be developed in this particular area.

This Commission is composed of 12 permanent members. In addition to three Directors with specific areas of responsibility, José Jacinto Iglésias Soares, José Miguel Pessanha, Miguel Maya or Rui Manuel Teixeira, this Commission is composed of the Heads of the Compliance Office Department (which acts as secretary), Risk Office Department, Information Technology Department, Audit Department, Logistics & Procurement Department, Quality and Network Support Department, Direct Banking Department, IT Security Department and Security and Business Continuity Department and, by invitation, other areas that are directly involved in the issues appraised.

- (o) **Moving Forward Commission:** The main duties of this Commission are to monitor and ensure that the 2016-2018 Strategic Agenda is executed, in Portugal, as approved by the Board of Directors, to ensure that the metrics for the Strategic Agenda in Portugal are met within the deadline set forth and that the entire organisation is aware of and in line with the project.

This Commission is composed of 18 permanent members. In addition to all the members of the Executive Commission, this Commission is composed of Dulce Mota – Project Head/Commission Secretary; Pedro Beija – Responsible for the "Redefinition of the distribution model supported by digital transformation"; Rosa Santa Bárbara – Responsible for the "Redefinition of the distribution model supported by digital transformation" and for "Relaunching the affluent segment"; Albino Andrade – Responsible for "Relaunching the affluent segment" and for "Strengthening leadership in the business segment"; Nuno Alves – Responsible for the "Adjustment of the companies model to support growth"; Américo Carola – Responsible for the "Optimisation of the credit recovery areas"; António Bandeira – Responsible for "Redesigning and Simplifying the Operating Model"; Miguel Sampayo – Responsible for the "Risk Appetite Framework"; José Pulido Valente – Responsible for the "Cross Networking Programme networks, countries and areas"; Teresa Nascimento – Responsible for the "Cultural transformation programme" and António Pinto Júnior – Project Officer for "Retail Front Office", and, by invitation, other areas that are directly involved in the issues appraised.

- (p) **Speedway Commission:** The main duty of this Commission is monitoring the management and transformation of the Bank's processes aiming to enhance their efficiency and effectiveness and to reduce their exposure to operational risks.

This Commission is composed of two permanent members of the Executive Commission, José Jacinto Iglésias Soares and José Miguel Pessanha, and may also include other members of the Executive Commission, depending on the projects or processes under appraisal. In addition, it is composed by Coordination Manager Operations (Secretary), IT and Technology, Moving Forward Project and all the other areas (Marketing, Networks, Channels, Central Services, Sponsors Moving Forward Project, etc) and the respective Process Owners, when appraising processes that concern them, as well as by invitation, Audit, Logistics & Procurement, Legal Affairs and Litigations, Compliance and Risk Office.

- (q) **Internal Control and Operational Risk Monitoring Commission:** The main duties of this Commission are to define the operational risk management framework ensuring its application within the Group's operations; to monitor the risk exposures and the status of the implementation and efficiency of the measures adopted to strengthen internal control.

This Commission is composed of eight permanent members. In addition to three Directors with specific areas of responsibility, José Miguel Pessanha, José Jacinto Iglésias Soares, and Miguel Maya, this Commission is composed of the Coordination Manager of Audit Division, IT Division, Operations Division, Compliance Office and Risk Office (Secretary), and also Macro-Process Owners (participation by invitation for the presentation of specific issues on the processes).

## **Other Financial Services in Portugal**

### **Mortgage Lending**

The Bank entered the mortgage lending business in 1992, when it launched, in association with Cariplo – Cassa di Risparmio delle Provincie Lombarde S.p.A. (now a part of the Italian financial group Banca Intesa), an autonomous mortgage bank, Banco de Investimento Imobiliário, S.A. ("**BII**"). BII was 69.9% owned by the Group, with the remaining 30.1% being owned by Banca Intesa. BII previously distributed its mortgage products through the Bank's marketing and distribution networks, as well as through its own retail outlets. On 21 September 2005, the Bank reached an agreement with Banca Intesa for the unwinding of the joint venture arrangements in relation to BII. In October 2005, the Bank acquired 30.1% of the capital of BII owned by Banca Intesa, becoming the sole shareholder of BII. Currently, BII is running a book of outstanding mortgage credit

originating from mid-2007, which will progressively be reduced over time. The Bank runs the Portuguese mortgage business directly.

### **Online Banking**

ActivoBank is a leading internet bank in Portugal. Launched in 2010, ActivoBank offers a streamlined and convenient service with an emphasis on emerging distribution and communication channels (e.g. internet banking, mobile banking). ActivoBank targets younger, technologically savvy customers who prefer simple, modern banking products and services.

ActivoBank's main goal is to maintain a strong focus on its online presence through its website and social media. The pillar of ActivoBank's client relationship is based on online channels, despite also having 14 physical branches. ActivoBank was the first Portuguese bank to launch an exclusive application for smartphones. ActivoBank continues to invest heavily in developing new services and features, in alignment with new trends, with a primary emphasis on innovation.

On 24 February 2015, the Bank announced that it was evaluating several scenarios to enhance the value of ActivoBank and that such process was in its initial phase. In accordance with the announcement made by the Bank on the referred date, it was not possible, at that stage, to affirm if the process would result in any transaction.

On 23 March 2016, BCP informed that, following the process of evaluation of strategic scenarios to enhance the value of ActivoBank, it had been decided to select Cabot Square Capital LLP, a financial services specialist private equity firm with approximately €1 billion in funds under management. The Bank also informed that, at that date, no final decision had been made in relation to the sale of Activobank.

On 3 June 2016, BCP informed that it had completed the evaluation of several scenarios to enhance the value of ActivoBank, a leading online bank in Portugal. The Bank also informed having decided to keep ActivoBank in the Group, given its ability to generate value, especially in the context of the expected evolution of BCP's banking business.

### **Insurance**

The Bank has an interest in insurance activities through Millenniumbcp Ageas, a joint venture with Ageas for bancassurance business in Portugal. On 26 May 2014, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, the Bank announced that it had agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (at that time jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental – Companhia Portuguesa de Seguros, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A. Currently, the Group holds 49% of Millenniumbcp Ageas' share capital in the life insurance business, while the remaining 51% is held by Ageas.

On 28 July 2014, the Bank announced about the qualifying holding of Ageas and Ocidental Vida that was a result of Ageas and Ocidental Vida having subscribed, respectively, 280,490,558 and 408,855,693 ordinary shares in the rights issue launched by the Bank on 27 June 2014, pursuant to the subscription rights attributed to them considering their participation in BCP prior to the rights issue of 156,623,179 shares in case of Ageas and of 233,631,825 shares in case of Ocidental Vida. Following the settlement of the rights issue on 23 July 2014 and allotment of the oversubscription on 24 July, the number of shares held by Ageas increased to 437,113,737 and the number of shares held by Ocidental Vida increased to 652,087,518, thus the Ageas Group increased its participation to 1,089,201,255 shares that correspond to 2.01% of the issued share capital and of voting rights of the Bank.

On 16 June 2015, the Bank announced to have received a notification from Ageas Group informing that its holding in the share capital of the Bank had fallen below the 2% threshold of qualifying holding. The dilution of

the former qualifying holding was a result of the Bank's exchange offer of some of its subordinated debt and preference shares for ordinary shares, causing the issuance of 4,844,313,860 new shares, which increased the total outstanding ordinary shares in BCP to 59,039,023,275. At that date, the Ageas Group's holding was 1.84%.

## Foreign Business

BCP has concentrated on those businesses with strong growth prospects in foreign markets with a close historical connection to Portugal or that have large communities of residents with a Portuguese heritage (such as Angola and Mozambique), as well as in markets to which the Bank's successful business model in Portugal can be effectively exported and tailored to suit local markets, in particular in Poland.

### Poland

In Poland, the Bank operates through Bank Millennium, S.A. ("**Bank Millennium**"), and focuses its offerings on individuals and small and medium-sized companies. Bank Millennium is a full service national bank which, jointly with its subsidiaries, offers a complete range of financial products and services, including deposit-taking, savings and investment products, short-, medium- and long-term lending (including mortgage lending and consumer credit), debit and credit cards, fund transfers and other payment methods, mutual funds, insurance, leasing, treasury services and money market transactions.

In 1998, the Bank entered into a partnership agreement with the Polish financial group, BBG, pursuant to which the Bank launched a retail operation with BBG in the Polish market under the "Millennium" brand.

The Bank now owns 50.1% of Bank Millennium.

During 2015, Bank Millennium began to implement its strategic plan for 2015-2017, announced in February 2015. The main medium-term objectives defined for 2017 are the following:

- Number of active Retail Customers at 1.6 million;
- Increase of market share in Retail customer funds to more than 6%;
- Increase of market share in loans to companies to 4%;
- ROE in the interval of 13%-14%;
- Cost-to-income in the interval of 45-47%; and
- Loans to deposits ratio at less than 100%.

The main initiatives, for the purposes of implementing the Bank's new strategic plan, aim to improve results by focusing on both the income and costs items in the Retail and Companies segments and are based on four pillars: (i) Acceleration of the acquisition of Retail Customers through the traditional and digital channels, while at the time maintaining the focus on products with a higher margin (consumer credit and investment products) in order to maintain the profitability of the segment; (ii) Maximise customer value and increase the efficiency in customer retention through advanced analytical methods; (iii) Maintain the momentum in the companies segment, by maintaining profitability, reducing the cost of risk and reinforcing the Bank's positioning in specialised financing; and (iv) Maintenance of an operational excellence and rigorous cost control, through a simplified digital operational model, preparing the IT platform for the future.

The implementation of the Group's strategy in 2015 coincided with an unfavourable external environment, with emphasis on the strong appreciation of the Swiss franc, the further cut in Polish interest rates, the regulatory limits in commissions related with cards, the increase of the mandatory contribution and of the extraordinary payment towards the deposit guarantee fund and the creation of a new fund to support those borrowers with

mortgage loans that are going through a difficult financial situation. In spite of these constraints, Bank Millennium managed to achieve significant financial results.

As at 30 September 2016, Bank Millennium had EUR 15,544 million in total assets, EUR 14,208 million in customer funds, and EUR 11,063 million in loans to customers (gross), and was operating with 381 branches and had 5,839 employees. Bank Millennium's net income in the nine months ended at 30 September 2016 was EUR 130.3 million, compared to EUR 112.8 million for the nine months ended at 30 September 2015.

As at 31 December 2015, Bank Millennium had EUR 15,534 million in total assets, EUR 14,047 million in customer funds, and EUR 11,218 million in loans to customers (gross), and was operating 411 branches and had 5,911 employees. Bank Millennium's net income in the year ended at 31 December 2015 was EUR 130.7million.

## Mozambique

The Bank has had banking operations in Mozambique since 1995. Banco Internacional de Moçambique ("**Millennium bim**") is Mozambique's largest bank. In 2015, Millennium bim maintained its strategy focused on strengthening its value proposition, namely in the automatic channels, where new financial services were offered which meet the needs of the different customer segments.

Innovation and investment in primarily technological initiatives were present once again in 2015. In addition to enabling the provision of a larger and better offer to its customers, the strategy followed was also reflected in the improvement of operating efficiency, through a more controlled and efficient workflow. Millennium bim implemented various improvements in the mobile banking platform which has progressively offered an increasingly more complete and simple service to use for the customers. In particular, in the last quarter, Millennium IZI introduced a new transaction through which customers can transfer money to any mobile telephone number. This transaction allows the beneficiaries of these transfers, even those not having a prior account at Millennium bim or at any other credit institution, to easily create their Electronic Currency Account, the IZI Account.

At the end of the year, the Bank established an exclusive partnership with Correios de Moçambique (national postal service) to, supplementing the distribution of postal services, provide banking products and services at its branches, aimed at boosting the increased participation of the population in the banking system and consequent financial inclusion.

As at 30 September 2016, Millennium bim had EUR 1,675 million in total assets, EUR 1,172 million in customer funds, and EUR 964 million in loans to customers (gross), and was operating 173 branches and had 2,536 employees. Millennium bim's net income in the nine months ended at 30 September 2016 was EUR 51.8 million compared to EUR 42.5 million for the nine months ended at 30 September 2015.

As at 31 December 2015, Millennium bim had EUR 2,355 million in total assets, EUR 1,744 million in customer funds, and EUR 1,378 million in loans to customers (gross), and was operating 169 branches and had 2,505 employees. Net income of Millennium bim reached EUR 84.2 million in 2015.

## Angola

Banco Millennium Angola, SA ("**BMA**") was incorporated on 3 April 2006, as a result of the transformation of the BCP branch in Angola into a bank incorporated under the laws of the Republic of Angola.

As at 31 December 2015, BMA had EUR 2,344 million in total assets, EUR 1,692 million in customer funds and EUR 996 million in loans to customers (gross), and was operating 90 branches and had 1,225 employees. BMA ended 2015 with a net income of EUR 75.7 million.

On 8 October 2015, the Bank announced it had signed a memorandum of understanding with the main shareholder of BPA for the merger of BMA with BPA. The public deed for the merger was executed on 22 April 2016. Following the merger, BCP owns 22.5% of the share capital of Banco Millennium Atlântico.

In the context of the BMA merger with BPA, BMA was considered a discontinued operation in March 2016. As of the completion of the merger in May 2016, the new merged entity in which the Bank maintains a 22.5% shareholding, Banco Millennium Atlântico, is consolidated using the equity method.

#### Macao

Millennium bcp's presence in Macao goes back to 1993, initially through an off shore license. In 2010, Millennium bcp began operating its first fully licensed (on shore) branch in Macao. This branch is directed at providing services to the Bank's network through support to individual and company customers, broadening the base of local customers and expanding the activity around the China-Macao-Portuguese speaking countries platform.

Among the various initiatives adopted to accomplish that strategy are the following: (i) support to Portuguese enterprises in domiciliation of activities in Macao for business in Southern China, with the branch acting as a support base; (ii) expansion of the trade finance operations to support Portuguese enterprises in exports to and/or imports from China; (iii) support to Chinese customers in their application to obtain "Golden Visa" through the BCP Network; and (iv) launch of an internet banking solution aimed at expanding the services provided to its customers, especially non-residents.

Throughout 2015 the branch focused primarily on the provision of services to the Bank's networks through support to companies and individual customers, the attraction of Chinese customers for the "Golden Visa", the extension of the local customer base and the expansion of the activity surrounding the China-Macao-Portuguese speaking countries platform.

As at 30 September 2016, loans to customers and customer deposits amounted to EUR 544 million and EUR 863 million, respectively. Net income amounted to EUR 14.5 million.

In 2015, customer funds stood at EUR 1,024 million and gross loans reached EUR 613 million. During the year, net income was EUR 23.1 million (decrease of 2.9% in local currency; increase of 8.4% in EUR), which resulted from the release of provisions for general risks and by the recognition of deferred income relating to early repayments of loans.

#### Switzerland

Millennium Banque Privée, incorporated in Switzerland in 2003, is a private banking platform that provides discretionary management services to individual customers of the Group with large assets, as well as financial advisory and orders execution services.

The decision of the National Bank of Switzerland to discontinue its exchange rate against the euro had a negative impact, in 2015, on assets under management and on the results of the Bank in both Swiss francs (−27.2%) and EUR (−16.9%), since income decreased when reported in Swiss francs and increased only slightly in EUR (−11.4% and +1.1%, respectively) and costs fell 3.3% in Swiss francs and increased by 10.4% in EUR.

In 2015, operating results fell 28% in Swiss francs and 17.8% in EUR, as a result of lower transaction activity and a further decrease in net interest income related to lower interest rates and credit volumes.

As at 30 September 2016, total assets amounted to EUR 565 million, total customer funds amounted to EUR 2,912 million and loans to customers (gross) stood at EUR 249 million, operating with one branch and 70 employees. Net income of Millennium Banque Privée reached EUR 4 million in the first nine months of 2016.

At the end of 2015 Millennium Banque Privée recorded EUR 525 million in total assets, EUR 207 million in loans to customers (gross) and EUR 2,639 million in total customer funds, operating with one branch and 71 employees. For the year ended 31 December 2015, Millennium Banque Privée in Switzerland recorded a net income of EUR 6 million.

#### Cayman Islands

Millennium bcp Bank & Trust, with head office in the Cayman Islands, holds a category "B" banking license, and provides international banking services to customers that are not resident in Portugal. The Cayman Islands are considered a cooperating jurisdiction by the Bank of Portugal.

As at 30 September 2016, total assets amounted to EUR 726 million, total customer funds amounted to EUR 421 million and loans to customers (gross) stood at EUR 42 million. Millennium bcp Bank & Trust reported a net income of EUR 2.5 million in the first nine months of 2016.

At the end of 2015 Millennium bcp Bank & Trust recorded EUR 802 million of total assets, EUR 45 million of loans to customers (gross) and total customer funds of EUR 491 million, operating with 12 employees. In 2015, the Bank had a net income of EUR 4.9 million.

#### Other

The Bank also has ten representative offices (one in the United Kingdom, one in Germany, three in Switzerland, two in Brazil, one in Venezuela, one in China in Canton and one in South Africa), and five commercial protocols (Canada, United States, Spain, France and Luxembourg) and one commercial promoter (Australia).

### International Partnerships

Since 1991, the Group has also developed an internationalisation strategy based on establishing co-operation agreements with foreign partners. The Group's current foreign partners are Banco Sabadell, Achmea B.V. (formerly Eureko B.V.), Ageas, Sonangol and BPA. Some of these partnerships involve, among other things, joint ventures, cross-shareholdings and reciprocal board representation.

#### *Banco Sabadell*

In March 2000, the Group announced the terms of a strategic partnership agreement with Banco Sabadell of Spain, seeking the development of joint initiatives in finance-related fields of mutual interest. In the first half of 2005, an agreement was reached to reinforce the offer of products and services common to the Bank and Banco Sabadell, notably in corporate loans and in innovating services for individuals. As a result of the agreement, the Bank's clients can use the retail and corporate networks of Banco Sabadell in Spain and vice versa for Banco Sabadell's clients in Portugal. The Bank sold its 2.75% shareholding in Banco Sabadell to the Pension Fund. On 31 December 2014, Banco Sabadell held 5.53% of the share capital of the Bank.

On 25 November 2016, the Bank announced that, following the share capital increase of BCP, from €4,094,235,361.88 to €4,268,817,689.20 through the private placement of 157,437,395 new shares, all subscribed by Chiado (Fosun Group), Banco Sabadell informed the Bank that on 18 November 2016 it held 39,931,512 shares, which represented a qualifying holding of 4.23% in BCP's share capital.

On 12 December 2016, the Bank informed to have received the communication from Banco de Sabadell, S.A. regarding the decision to sell a block of 38,577,892 ordinary, nominative and book-entry shares, without par value, representing 4.08% of the total share capital and voting rights of the Bank directly or indirectly held by it. This operation should be materialised through the launch of a private placement by means of an accelerated bookbuilding process addressed exclusively to qualified and institutional investors. Citigroup Global Markets Limited ("**Citigroup**") was appointed as the Sole Bookrunner of the offering.



After the conclusion of this transaction, Banco Sabadell should remain the holder of 1,353,619 shares, representing 0.14% of the share capital of the Bank. According to the terms of the offer, Sabadell agreed with Citigroup a 90 days lock-up period, in which assumed the commitment not to sell these shares without the previous written agreement of Citigroup.

On 13 December 2016, following the communication released on 12 December 2016, the Bank informed having received a communication from Sabadell Group with the information of the successful conclusion of the private placement by means of an accelerated bookbuilding process addressed exclusively to qualified and institutional investors of 38,577,892 ordinary, nominative and book-entry shares, without par value, representing 4.08% of the total share capital and voting rights of the Bank directly or indirectly held by it. The price per share sold in the offering was EUR 1.15, amounting to EUR 44,364,575.80 for the aggregate number of shares sold.

#### *Achmea B.V. (formerly Eureko B.V.)*

In 1991, the Group established strategic partnerships with two significant European insurance groups, Friends Provident and AVCB Averro Centraal Beheer. In 1992, Eureko Group was established as a pan-European insurance group, as a result of the association between the insurance groups Friends Provident, from the United Kingdom; AVCB Averro Centraal Beheer, from the Netherlands; Wasa, from Sweden; and the Danish financial group Topdanmark. In 1993, the Group, through its insurance holding Seguros e PensõesGere, SGPS, S.A. became the fifth partner in this pan-European strategic insurance alliance. Eureko Group's holding in the Bank is currently 2.52% of the share capital and inherent voting rights, held by Eureko B.V., following the sale during 2009 of a 4.55% holding in the Bank's share capital. Also, the total return swap entered into by Eureko B.V. with JPMorgan Chase Bank NA on 5 September 2007 was fully unwound and therefore the voting rights attached to the previous additional 2.88% stake in the Bank should no longer be attributed to Eureko B.V. Through its asset management subsidiary F&C, Eureko B.V. has established an exclusive distribution agreement affecting its asset management products through the Millennium bcp banking network in Portugal.

On 31 December 2010, the Bank announced that Bitalpart BV, a wholly-owned subsidiary of the Bank, had agreed on that date to sell a minority shareholding corresponding to 2.7% of the share capital of Eureko B.V. to the pension fund of the Group.

#### *Ageas*

In 2005, the Group and Fortis (currently, Ageas) established a joint venture for bancassurance business, through the insurance company Millennium bcp Fortis (currently, Millenniumbcp Ageas). The Group holds 49% of Millenniumbcp Ageas' share capital, while the remaining 51% is held by Ageas. In September 2005, Ageas increased its shareholding in the Bank to 4.99%. As a consequence of the two Bank share capital increases that took place in 2006, Ageas' shareholding in the Bank decreased to 4.94%. In September 2007, Ageas disposed of its qualifying holding in the share capital of the Bank.

On 26 May 2014, the Bank announced that, as part of a process aiming to refocus on core activities defined as a priority in its Strategic Plan, it had agreed with the international insurance group Ageas to partially recast the strategic partnership agreements entered into in 2004. These include the sale of its 49% interest in the (at that time jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e. Ocidental-Companhia Portuguesa de Seguros, S.A. and Médis - Companhia Portuguesa de Seguros de Saúde, S.A., for a base price of EUR 122.5 million, subject to a medium term performance adjustment. In 2013, the non-life activity posted gross inflows of EUR 251 million and a net profit of EUR 12 million.

On 28 July 2014, the Bank announced that Ageas, on behalf of itself and its subsidiary Ocidental-Companhia Portuguesa de Seguros de Vida, S.A. ("**Ocidental Vida**"), had acquired a qualifying holding in the share capital of the Bank. The qualifying holding was a result of Ageas and Ocidental Vida having subscribed, respectively, 280,490,558 and 408,855,693 ordinary shares in the rights issue launched by the Bank on 27 June 2014, pursuant to the subscription rights attributed to them considering their participation in the Bank prior to the rights issue (156,623,179 shares in case of Ageas and of 233,631,825 shares in case of Ocidental Vida).

Following the settlement of the rights issue, on 23 July 2014, and allotment of the oversubscription, on 24 July, the number of shares held by Ageas increased to 437,113,737 and the number of shares held by Ocidental Vida increased to 652,087,518, thus Ageas Insurance International Group (i.e. Ageas and Ocidental Vida) increased its participation to 1,089,201,255 shares that correspond to 2.01% of the issued share capital and of voting rights of BCP.

On 16 June 2015, the Bank announced that it had received an announcement from Ageas, issued on behalf of itself and Ocidental Vida, informing that Ageas Insurance International Group (i.e. Ageas and Ocidental Vida) holding in the share capital of the Bank had fallen below the 2% threshold of qualifying holding (1.84%). The dilution of the former qualifying holding is a result of BCP's exchange offer of some of its subordinated debt and preference shares for ordinary shares, causing the issuance of 4,844,313,860 new shares, which increased the total outstanding ordinary shares in BCP to 59,039,023,275.

#### *Sonangol and BPA*

Following the announcement made by the Bank on 8 October 2015, the Bank informed on 25 April 2016 that the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. had been executed.

### **Significant Developments in 2015**

On 8 January 2015, the Bank announced that it had completed, on that date, the sale of BMR to OTP Bank. In accordance with the general conditions announced, the Bank received from OTP Bank, on that date, EUR 39 million as consideration for the sale. OTP Bank also ensured full reimbursement to the Bank of the intragroup funding provided by the latter to BMR, amounting to approximately EUR 150 million.

The sale of BMR brought forward yet another important measure on which BCP had committed with the DG Comp pursuant to its restructuring plan.

On 24 February 2015, the Bank announced that it was evaluating several scenarios to enhance the value of ActivoBank and that the process was in its initial phase. In accordance with the announcement made by the Bank on the referred date, it was not possible, at that stage, to affirm if the process would result in any transaction.

On 3 March 2015, the Bank announced that it had received a letter from Santoro Finance - Prestação de Serviços, S.A. stating that Santoro intended to "promote to the Boards of Directors of Banco BPI and of Millennium bcp the analysis of a merger transaction between both entities".

According to the Bank's announcement, as long as there was interest from Banco BPI, BCP's Executive Committee was available to analyse such a transaction, in compliance with applicable regulations. The Bank also announced that the above should not be construed as a guarantee that the process would result in any transaction or that any decision regarding this matter had been taken.

On 13 March 2015, the Bank announced that it had received a letter from ALLPAR GmbH, communicating the cancellation of the shareholders' agreement previously entered into by such company and Interoceânico - Capital, SGPS, S.A. The voting rights corresponding to the stakes in the share capital of the Bank held by each of these entities were therefore no longer reciprocally attributable.

Following the announcement, on 25 March 2015, of the launch of an accelerated placement to institutional investors of 186,979,631 ordinary shares of Bank Millennium constituting 15.41% of the Bank Millennium's existing share capital, the Bank announced, on 26 March 2015, the pricing of such accelerated placement, at a price of PLN 6.65 per ordinary share. Gross proceeds raised by the Bank from the Placement are expected to be approximately PLN 1.24 billion (EUR 304 million), resulting in an increase in the Group CET 1 ratio versus end-2014 figures of 0.46% under fully-implemented rules and of 0.64% according to phased-in criteria. After

the completion of the Placement, BCP continues to hold a majority shareholding in Bank Millennium, corresponding to 50.1% of the Company's share capital.

On 17 April 2015, the Bank announced a public exchange offer ("Offer"), submitted to the resolution of the Bank's General Meeting of Shareholders, which, according to the expected acceptance, is estimated to reinforce CET 1 ratios by approximately 0.70% when compared to December 2014. The Offer prevents future hits to capital, as eligibility for capital purposes of the securities being targeted by the Offer will cease over the coming years reflecting the CRD IV/CRR.

On 11 May 2015, the Bank announced about the resolutions of the General Meeting of Shareholders, where 46.63% of the share capital were represented:

**Item One** - Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2014;

**Item Two** - Approval of the appropriation of the net losses on the individual balance sheet for "Retained Earnings";

**Item Three** - Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

**Item Four** - Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

**Item Five** - Approval of the policy for the selection and evaluation of the adequacy of the Members of the Management and Supervision Bodies;

**Item Six** - Approval of the co-optation of a non-executive member of the Board of Directors to exercise functions in the triennial 2012/2014;

**Item Seven** - Approval of the election of the members of the Board of Directors and of the Audit Committee to exercise functions in the triennial 2015/2017;

**Item Eight** - Approval of the election of the members of the International Strategic Board to exercise functions in the triennial 2015/2017;

**Item Nine** - Approval of the election of the members of the Remuneration and Welfare Board to exercise functions in the triennial 2015/2017, and of their remuneration;

**Item Ten** - Approval of the appointment of a firm of independent statutory auditors, to, pursuant to article 28 of the Companies Code, make a report on the contributions in kind to be made within the scope of the subscription of shares to be issued by new contributions in kind object of Item Eleven of the Agenda of the general meeting;

**Item Eleven** - Approval of the launching of a public offer for the exchange of subordinated securities and consequent increase of the share capital by contributions in kind up to EUR 428,000,000.00, made through the issue of up to 5,350,000,000 new shares without nominal value, under which:

1. the new contributions will be composed of securities issued by the Bank and by the subsidiary company BCP Finance Company Ltd with the ISIN PTBCPMOM0002, PTBCLWXE0003, PTBCPZOE0023, PTBIPNOM0062, PTBCTCOM0026, XS0194093844 and XS0231958520, and
2. these new shares will be issued with an issue price per share corresponding to 93% of the weighted average per volumes of the BCP share price in the regulated market Euronext Lisbon, in the five

trading days immediately before the exchange public offer is launched, and, without prejudice to the minimum amount required by law, the issue price of up to EUR 0.08 per share corresponding to the issue value and the remaining amount corresponding to the premium, and on the consequent alteration of the articles of association (article 4.1); and

**Item Twelve** - Approval of the acquisition and sale of own shares or bonds.

On 18 May 2015, the Bank announced the completion of the sale of MGA to CIMD Group. In accordance with the terms previously announced, the CIMD Group acquired the whole share capital of MGA.

On 11 June 2015, the Bank announced the results of the share capital increase with a partial and voluntary public tender offer for the acquisition of securities, highlighting notably the following: (i) securities in a global nominal amount of EUR 481,208,950 were contributed in this share capital increase, representing around 75.71% of the total amount available for exchange; (ii) as a consequence of the subscriptions made, 4,844,313,860 ordinary, nominative and book-entry shares with no par value were issued, at the issue price of EUR 0.0834 per share, which corresponds a total amount of the share capital increase of EUR 387,545,108.8; and (iii) with the conclusion of the Offer, the Bank reached pro forma CET 1 ratio in March 2015, after the share capital increase of 12.7% on a phased-in basis<sup>35</sup>.

On 29 September 2015, the Bank announced that DBRS removed the potential systemic support uplift for a group of European banks, in which BCP was included. That resulted in the removal of the previous one notch uplift from BCP's Intrinsic Assessment ("IA") for potential systemic support. BCP's IA has been maintained at "BB (high)", whereas the long-term senior unsecured and deposits ratings were downgraded from "BBB (low)" to "BB (high)", with "stable" trend. The short-term senior unsecured and deposits ratings were also downgraded from "R-2" to "R-3". The dated subordinated debt rating was confirmed at "BB".

The systemic support was under review since 20 May 2015, following developments in European regulation and legislation, which, according to DBRS, have resulted in a lower likelihood of systemic support.

The maintenance of the IA at "BB (high)" reflected DBRS's view that BCP's fundamentals have now stabilised, supported in part by the improved economic environment in the Group's domestic operating environment. The "stable" trend reflects the improvement in the Group's capitalisation, supported by gradually improving core profitability.

On 8 October 2015, the Bank announced that it signed, on that date, a memorandum of understanding with the main shareholder of BPA (i.e. Global Pactum – Gestão de Ativos, S.A.) to merge BMA with BPA, resulting in the second-largest Angolan private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume.

The Bank also announced that joining the complementary capacities of BMA and BPA generates opportunities for growth and maximises the ability to create value in Angola, making it possible to maintain the contribution from activities in the country at levels in line with the Bank's ambitions and allowing returns on invested capital around 20%, compensating for the slowing-down of the Angolan economy compared to the Bank's initial plans.

The agreement defined mechanisms that ensure effective control and management of risks, in accordance with best practices, in particular, by attributing to the board of directors' members named by the Bank responsibility for the Risk Office and for Credit. The memorandum of understanding states that the new entity will have a board of directors with 15 members, of which five will be named by the Bank, as well as an executive committee with seven members, two of which to be named by the Bank. The Bank will also name one of the vice-chairmen of the board of directors, who will preside over the Risk Committee or the Audit Committee, as well as one of the vice-chairmen of the executive committee.

---

<sup>35</sup> Calculated on the basis of Regulation No. 3/95 of the Bank of Portugal and Law No. 61/2014, of 26 August 2014, relating to deferred tax assets and the net results of the first quarter of 2015.

The valuation of the stakes of the two merged banks will be calculated based on their respective book values, subject to due diligence by an independent auditor. The Bank is expected to hold a stake of around 20% in the merged entity, with any eventual adjustment to the Bank's stake to be valued at a multiple of 1.6 times the book value.

This operation would generate a positive impact, estimated at 0.37%, for the Bank's CET 1 capital ratio, on a phased-in basis. The completion of this transaction is subject to approval by BMA and BPA shareholders, as well by regulatory and supervisory entities.

### **Recent Developments in 2016**

On 24 February 2016, the Bank informed on the results of a tender offer for purchasing back notes, limited to a maximum aggregate purchase amount of EUR 300 million, with EUR 378,509,996.96 in amortised principal amount outstanding of notes validly tendered for purchase, of which Millennium bcp has decided to accept for purchase EUR 85,326,455.52.

On 21 April 2016, the Bank concluded with 44.76% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

**Item One** – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2015;

**Item Two** – Approval of the proposal for the application of year-end results;

**Item Three** – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

**Item Four** – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

**Item Five** – Election of the External Auditor for the triennial 2016/2018;

**Item Six** – Election of the Single Auditor and his/her alternate for the triennial 2016/2018;

**Item Seven** – Approval of the acquisition and sale of own shares or bonds;

**Item Eight** – Approval of the: (i) renewal of the authorisation granted by paragraph 1 of Article 5 of the Bank's Articles Association, and (ii) suppression of the preference rights of shareholders in one or more share capital increases the Board of Directors may decide to carry out;

**Item Nine** – Approval on the alteration of the articles of association by adding a new no. 5 to Article 4; and

**Item Ten** – Approval of the regrouping, without decreasing the share capital, of the shares representing the share capital of the Bank.

On 25 April 2016, following the announcement made by the Bank on 8 October 2015, the Bank informed that the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. had been executed.

On 3 June 2016, the Bank informed that it had completed the evaluation of several scenarios to enhance the value of ActivoBank, a leading online bank in Portugal, and it had decided to keep ActivoBank in the Group, given its ability to generate value, especially in the context of the expected evolution of BCP's banking business.

On 30 July 2016, the Bank informed that it had received a letter from Fosun, containing a firm proposal for an investment in the share capital of BCP on the terms and conditions set forth in a Proposal Guidelines of Agreement. It also informed that Fosun proposed to subscribe to a private placement reserved solely to Fosun, to be resolved by BCP's board pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, through which, at current levels, Fosun would hold a shareholding of around 16.7% of the total share capital of BCP (the "**Reserved Capital Increase**"). Fosun also considered increasing its stake through secondary market acquisitions or in the context of future capital increases of BCP, with an aim of potentially increasing Fosun's shareholding to 20%-30% of BCP.

On 14 September 2016, the Bank informed that its Board of Directors had analysed, in a meeting held on that day, a recommendation from BCP's Executive Committee concerning the investment proposal received from Fosun on 30 July 2016. The Board of Directors of BCP welcomed the interest shown by Fosun and discussed main highlights of the likely terms of the investment. The Board of Directors has also requested the Executive Committee to expand negotiations with Fosun and, as soon as matters related to the conditions precedent listed in BCP's announcement dated 30 July 2016 were clarified, to call for the immediate convening of another meeting of the Board of Directors, in any case to be held before the end of the current month.

On 27 September 2016, the Bank informed that in a meeting convened that day, and taking into consideration (a) the resolution of the general meeting of shareholders of 21 April 2016, then announced to the market, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, subject to the condition of, and producing its effects with, the entering into force of a legislative amendment and (b) the publication, on 26 September 2016, of Decree-Law No. 63-A/2016 of 23 September 2016, which entered into force in the day immediately after its publication, its Board of Directors resolved:

1. To confirm, in the terms provided for in the abovementioned resolution of the general meeting of shareholders, that the legal framework of Decree-Law No. 63-A/2016, of 23 September 2016, is in accordance with the company's corporate interest;
2. To subsequently declare the production of effects, on this date of 27 September 2016, of the resolution of the general meeting of shareholders of 21 April 2016, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 (seventy five) shares prior to regrouping corresponding to 1 (one) share after the regrouping, this regrouping being applicable to all the shares, in the same proportion, with a rounding down to the nearest whole number of shares;
3. To set, according to the referred resolution, the date of the production of effects of the regrouping on 24 October 2016, the shareholders being allowed to, until 21 October 2016, and also in accordance with the provisions of the resolution, proceed to the composition of their groups of shares, inter alia by means of the purchase and sale of the shares in order to obtain a total number of shares that is a multiple of 75, with a view to the regrouping, a guarantee in the amount corresponding to the maximum amount of the consideration to be attributed, being until such date, granted, or the same amount being deposited;
4. To declare, under the terms of the abovementioned resolution of the general meeting of shareholders and of the provision of articles 23 - E, no. 3 and 188 of the Portuguese Securities Code, that the amount of the consideration in cash to be received by the shareholders for the shares that do not allow the attribution of a whole number of shares is € 0,0257 per share, this amount corresponding to the weighted average price of the shares representing the Bank's share capital in the regulated market Euronext Lisbon in the six months period immediately prior to the date of the present resolution and its respective announcement published today;
5. To delegate in any two Directors that are members of the Executive Committee the performance of all execution and ancillary actions of the present resolution.

On 28 September 2016, the Bank informed that its Board of Directors decided to mandate the Executive Committee to proceed with, and to complete with exclusivity, the negotiations with Fosun, and to present the results thereon for approval on a coming meeting of the Board of Directors.

On 12 October 2016, BCP announced that it had proceed with a reverse stock split, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping ratio of 1:75, every 75 (seventy-five) shares prior to the reverse split corresponding to 1 (one) share thereafter, which is applicable to all the shares, in the same proportion. Trading of the shares on the stock exchange would not be interrupted during this process. The current shares with ISIN PTBCP0AM0007 would be traded until the end of trading on October 21, and on October 24 trading would begin with the new ISIN PTBCP0AM0015, this being the effective date of the reverse stock split. The regrouping of BCP shares would be processed automatically by the respective financial intermediaries, without the need for shareholders to take any action to promote the proceedings for the regrouping of shares. Shareholders who wish might, until October 21 (inclusive), adjust the composition of their groups of shares, through the purchase or sale of shares in order to obtain a total number of shares that was a multiple of 75, with a view to the regrouping.

In accordance with the relevant legislation and as resolved by the Issuer:

1. If the regrouping process did not result in the allocation of a whole number of new shares with ISIN PTBCP0AM0015, and given that fractional shares could not be delivered, the number of new shares to be delivered would be rounded down to the nearest whole number, and the holder of the respective fractional shares would be entitled to receive the cash consideration of €0.0257 per BCP share with ISIN PTBCP0AM0007 that was not subject to regrouping;
2. The Issuer would promote the sale, on behalf of the holders, of the shares corresponding to the sum of the fractional shares resulting from the regrouping process that were not delivered, and the respective holders would receive the abovementioned cash consideration. In compliance with the provisions of article 23.º-E, no. 8 of the Portuguese Securities Code added by means of the Decree-Law 63-A/2016 that approved the share regrouping regime, the costs inherent in this transmission should be borne by the Issuer. Thus, the accounts of all holders should be credited by the net amount of consideration for their respective fractional shares: (number of shares with ISIN PTBCP0AM0007 not subject to regrouping x €0.0257).

The abovementioned procedures did not depend solely on BCP but also on the financial intermediaries that act as custodians of the shares. However, it was BCP's expectation that the majority of the holders of BCP shares would have received the abovementioned compensation by November 8, 2016.

On 9 November 2016, BCP concluded, with 34.7% of the share capital represented, the General Meeting of Shareholders, with the following resolutions:

**Item One** – Approval of the maintenance of the voting restrictions foreseen in articles 26 and 25 of the articles of association;

**Item Three** – Approval of changes to the articles of association by altering the article 2 (1), article 11 (1), article 17 (3), article 21 (1), article 22 (1), article 31 (6), article 33, article 35 (2), article 37 (1) and suppression of article 51 (and therefore of Chapter XI - "Transitory Proviso");

**Item Four** – Approval of the increase of the number of members of the Board of Directors.

Before the beginning of the discussion of item two, which has been postponed to the end of the meeting, the Board of Directors' proposal recommending the suspension of the meeting, to be resumed on 21 November 2016, at 14.30 hours was approved. On 21 November 2016, in the 2nd session of the General Meeting of Shareholders of 9 November 2016, with 34.7% of the share capital represented, the shareholders present and

represented approved the Board of Directors' new proposal for the suspension of the meeting, to be resumed on 19 December 2016, at 11.00.

On 20 November 2016, BCP announced the approval by its Board of Directors of the result of negotiations with Fosun as well as the increase of BCP's share capital, through a private placement, as follows:

## **2. Memorandum of Understanding and Subscription Agreement with Fosun**

On 18 November 2016, BCP and Fosun have entered into a Memorandum of Understanding setting out the terms of Fosun's investment in the share capital of BCP ("**MoU**"), pursuant to which Chiado (Luxembourg) S.à r.l. ("**Chiado**"), affiliate of Fosun, agreed to invest in BCP through a private placement of 157,437,395 new shares (the "Reserved Capital Increase").

Observing the corporate governance procedures applicable to BCP, and for the current mandate ending in 2017, the MoU provides for the co-optation of: (i) two board members, whose appointment as additional members of the Executive Committee will also be proposed, with one of them to be appointed to the role of an additional Vice-President of the Executive Committee; and (ii) subject to Chiado holding at least 23% of the share capital of BCP, three non-executive directors, with one of them to be appointed to the role of Vice-Chairman of the Board of Directors and one proposed as a member of Committee for Nominations and Remunerations.

In light of the synergies and business development opportunities, the MoU foresees subsequent discussions for, on an arms' length basis, and without a commitment on the results, establishing long-term insurance distribution agreements outside of Portugal.

To effect the above, Fosun and Chiado also agreed to a lock-up in respect of the sale of shares subscribed by it under the Reserved Capital Increase for a period of three years from the date of subscription.

Fosun has reaffirmed in the MoU its strong interest to subsequently raise its shareholding in BCP to around 30% of its share capital through primary or secondary market transactions, once the increase of the voting cap to 30% of the share capital is approved.

## **3. Reserved Capital Increase**

In accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from € 4,094,235,361.88 to € 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of €1.1089 per new share.

The abovementioned share capital increase by way of private placement has already been subscribed for by Chiado, and its registry has been requested to the competent Commercial Registry Office on 18 November 2016.

The new ordinary shares entitle their holders to the same rights as those of previously existing shares.

On 19 December 2016, the General Meeting of Shareholders of 9 November 2016 that had been resumed was concluded and, with 33.5% of the share capital represented, approved item 2 regarding the change of voting limitations set forth in article 26(1) of the articles of association from 20% to 30%.

On 19 December 2016, the Bank informed that following the resignation of Mr. Bernardo de Sá Braamcamp Sobral Sottomayor, announced on 29 February 2016, the Portuguese State appointed Mr. André Palma Mira David Nunes, as a non-executive member of the Board of Directors, to be its representative in the Bank's corporate bodies. Mr. André Palma Mira David Nunes will also be a member of the Commission for Risk Assessment and the Commission for Nominations and Remunerations.



## Recent Developments in 2017

On 9 January 2017, BCP announced, pursuant to the authorisation set out in Article 5 of BCP's by-laws, as renewed at the General Meeting of Shareholders of 21 April 2016, that the Board of Directors of BCP had resolved, on that day, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from €4,268,817,689.20 to €5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value.

The subscription price was set at €0.0940 per share. The subscription price represented a discount of approximately 38.6% to the theoretical ex-rights price based on the closing price of BCP shares on Euronext Lisbon on 9 January 2017.

Each holder of BCP's ordinary shares received one subscription right for each ordinary share it owned.

Further to the subscription by Chiado of the Reserved Capital Increase completed on 18 November 2016 through which Chiado came to hold a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares in the Rights Offering that, if satisfied in full, would increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and/or the potential exercise of further subscription rights that may be acquired by Chiado.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Rights Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

BCP was informed that, in the context of the change to the voting cap provided in the articles of association of BCP to 30%, Sonangol requested and obtained authorisation from the ECB to increase its stake in the share capital of BCP to up to circa 30%. The Bank further announced that it had no information regarding Sonangol's decision with reference to the Rights Offering, notably as to the exercise, sale and/or purchase of subscription rights.

BCP announced that it intended to use the proceeds from the capital increase to repay the GSIs in full shortly after completion of the Rights Offering (at such date outstanding in the amount of €700,000,000, following the repayment of €50,000,000 on 30 December 2016) and to strengthen BCP's balance sheet. For this purpose, the Bank has received the ECB's and the Bank of Portugal's authorization to fully repay the remaining GSIs, subject to the successful completion of the Rights Offering.

On 9 January 2017, the Bank also informed that, on that date, the Board of Directors resolved on the cooptation of Mr. Lingjiang Xu and Mr. João Nuno Palma to exercise the functions of members of the Board of Directors, non-executive and executive, respectively, until the end of the current term of office (2015-2017). The decision is pending authorisation from the ECB.

On 3 February 2017, the Bank announced that the above mentioned share capital increase had been fully subscribed, resulting in the issuance of 14,169,365,580 ordinary, registered and book-entry shares, without nominal value, with the issuance price and subscription price of €0.094 per share. 13,943,683,125 ordinary shares were subscribed to pursuant to the exercise of subscription rights, representing about 98.4% of the total number of ordinary shares to be issued pursuant to the Rights Offering. The remaining 225,682,455 ordinary shares were available to satisfy oversubscription orders. Oversubscription orders totalled 3,463,624,516 ordinary

shares, which exceeded about 14.3 times the amount available. The total demand registered in this capital increase accounted for approximately 122.9% of the amount of the Rights Offering.

As such, the current share capital of the Bank is now of €5,600,738,053.72, represented by 15,113,989,952 ordinary, registered, book-entry shares without nominal value.

The new ordinary shares will be fungible with existing ordinary shares and, as of the date of issuance, will entitle their holders to the same rights as those of existing shares.

The 14,169,365,580 new ordinary shares issued pursuant to the Rights Offering, as well as the 157,437,395 shares fully subscribed and paid-up by the shareholder Chiado (Luxembourg) S.à r.l. (a member of the Fosun group) in the reserved share capital increase of the Bank (in the amount of €174,582,327.32) completed on 18 November 2016, were admitted to trading on Mercado Regulamentado Euronext Lisbon as of 9 February 2017, under the ISIN code PTBCP0AM0015.

On 9 February 2017, BCP announced that the outstanding GSIs, in the amount of €700,000,000, had been reimbursed.

On 10 February 2017, BCP announced that Mr João Benuando Bastos Mendes Resende, member of the Board of Directors, presented his resignation to the Board of Directors.

## **B. Principal Markets and Competition**

The Portuguese banking market has become well-developed, including both strong domestic and foreign competitors. These competitors follow a multi-product, multi-channel and multi-client segmented approach, offering a broad range of services from retail products to investment banking coupled with sophisticated payment capability. Foreign banks are present in the Portuguese market, particularly in areas such as corporate banking, asset management, private banking and brokerage services, though some groups offer universal banking services and offer traditional retail banking as well.

Domestic banking penetration levels rank favourably on a comparable basis and branch network and automated channels are widely disseminated across the country. There has been significant development of remote access to banking services (ATM, home banking, and mobile banking) together with market intelligence techniques enabling banks to accurately track customers' requirements and augment customer proximity. Cross-selling has benefited from the use of such techniques and has increased the proportion of banks' non-interest income over the years.

The growing maturity of the domestic market and globalisation trends led domestic banks to further develop their operations abroad, namely in countries with which Portugal had strong economic and historical relations. Hence, currently, the biggest domestic banking groups manage operations in European and African countries, which bear an increasing strategic relevance for their businesses.

The Portuguese Competition Authority ensures compliance with Portuguese competition rules, asserting regulatory powers over competition in all sectors of the economy, including regulated sectors in coordination with the relevant sector regulators. The Bank of Portugal is responsible for the prudential and market conduct supervision, ensuring the stability of the financial system as well as compliance with rules of conduct and transparency for banks' customers. National competition authorities and the EC have parallel competencies for enforcing European antitrust laws in close co-operation, and the EC imposes restrictions on aggressive commercial practices on recipients of State aid, such as the Bank.

Technological progress, liberalisation, globalisation and the European integration process have resulted in increased financial intermediation through the years. Following the liberalisation process that began in the 1980s with the reprivatisation of banks, the second half of the 1990s was characterised by reforms preparing for participation in the euro that took place in early 2000s, fostering strong movements of internationalisation and

financial integration. Financial assets as a percentage of GDP roughly doubled in the period 1995-2012 to around 500% of GDP, with non-bank financial institutions recording slight gains in market share (Source: Bank of Portugal).

The deregulation and liberalisation process experienced by the Portuguese banking sector, including Eurozone participation, catalysed an increase in business and competition, particularly in the credit market. Customer loans and advances increased significantly in advance of the implementation of the euro and during the early years of economic convergence and integration within the single currency project (Source: Bank of Portugal). At the same time, the Portuguese banking system experienced a consolidation, which was driven by the need to achieve economies of scale and operating synergies. More recently, against the background of the financial instability beginning in the summer of 2007 and the subsequent euro periphery crisis, deleveraging and strategic repositioning took place. Some foreigner players reappraised their presence and business models and networks developed in Portugal. More recently, major Portuguese banks have rationalised their operating structures.

As at the end of 2015, 377 credit institutions, financial companies and payment institutions were registered in Portugal, of which 176 were banks (including two institutions in liquidation) (Source: Bank of Portugal). Financial institutions with head offices in the European Economic Area providing cross-border services amounted to nearly 808 (Source: Bank of Portugal). Common indicators do not indicate levels of concentration significantly divergent from those of the Eurozone. For instance, as of 2014, the total asset share of the five largest credit institutions represented 69% for Portugal, which is above Germany's 32% but below Greece with 94%, Estonia with 90% and the Netherlands with 85% (for the euro area and EU27 is 47%) (Source: European Central Bank).

In Portugal, the Bank competes primarily with the four other major Portuguese banking groups: Caixa Geral de Depósitos, Novo Banco, Banco Santander Totta and Banco BPI. BCP's extensive distribution network, which is the second largest, has enabled it to maintain a reference position among its competitors.

According to system data from the Bank of Portugal, as at 30 June 2016, BCP had a market share of 18% of loans to customers (gross) and 17.3% of deposits in its domestic market.

The following table shows the development of the percentage of the Bank's market share in Portugal in terms of loans to customers as at 30 June 2016 and as at 31 December 2015 and 2014:

	<i>As at 30 June 2016</i>	<i>As at 31 December</i>	
		<u>2015</u>	<u>2014</u>
Loans to customers .....	18.0%	18.1%	18.9%

Sources: BCP, the Bank of Portugal.

The following table shows the number and geographic location of the Bank's branches as at 30 June 2016 and as at 31 December 2015 and 2014:

	<i>As at 30 June</i>	<i>As at 31 December</i>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Portugal	646	671	695
Bank Millennium in Poland	392	411	423
Millennium bim in Mozambique	170	169	166
Banco Millennium Angola	0	90	88
Banca Millennium in Romania	0	0	0
Millennium Banque Privée in Switzerland	1	1	1
Total in the International activity	563	671	678
	1,209	1,342	1,373

The following table illustrates the competitive environment in Portugal for the two years ended 31 December 2015 and 2014:

	<i>As at 31 December</i>	
	<i>2015</i>	<i>2014</i>
Number of banks <sup>(1)</sup>	28	32
Number of branches	4,763	5,413
Population (thousands)	10,375	10,401
Inhabitants per branch	2,178	1,921
Branches per bank	170	169

Sources: Portuguese Banking Association and Portugal's National Statistics Institute.

(1) Banks associated with the Portuguese Banking Association.

The Bank is also subject to strong competition in the international markets in which it operates.

The banking sector in Poland is characterised by a relatively low concentration sustaining strong competitive pressure. However, significant opportunities have led to increased competition in recent years, driven by privatisation and consolidation initiatives. In addition, in Poland, EU integration has created strong incentives for the cross-border provision of financial services and for cross-border mergers, which have resulted in significantly increased competition from foreign banks. As at September 2016, Bank Millennium's market share in Poland, according to the Bank's estimates derived from data published by the National Bank of Poland, was 4.5% of loans to customers (gross) and 5.1% of deposits.

In Mozambique, Millennium bim is the market leader with a market share of 28.8% of loans to customers and 28.2% of deposits in September 2016, according to the Bank of Mozambique. Currently, 19 banks operate in Mozambique and management expects increasing competition from foreign banks, particularly those based in South Africa and Portugal (Source: Bank of Mozambique).

Banco Millennium Angola merged with Banco Privado Atlântico, resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume: market share above 11% in terms of loans and above 9% in terms of deposits (Source: Bank of Angola).

### **Third party information**

Information sourced from the Bank of Portugal, Portuguese Banking Association (*Associação Portuguesa de Bancos*), the Portugal's National Statistics Institute (*Instituto Nacional de Estatística*), the National Bank of Poland, the Bank of Mozambique, the Bank of Angola and from other sources mentioned in this Offering Circular has been accurately reproduced and, so far as each Issuer is aware and is able to ascertain from information published by such entities, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Where information from third parties is referenced in this Offering Circular, the source of the information is identified alongside each statement.

### **C. Trends Information**

During the first nine months of 2016, the Portuguese banks continued to develop their activities within a particularly difficult context. The Portuguese economy continues to show moderate growth and the banks are operating within a context of very low interest rates, which exercise pressure on the financial margin. Moreover, the Portuguese Banks have a significant number of non productive assets in their balance sheets.

The 2016 and 2017 projections for the Portuguese economy of Banco de Portugal were both downgraded to 1.3% in 2016 and 1.6% in 2017. The GDP projection for 2018 is 1.5%. It is expected that, between 2016 and 2018, the contribution provided by net exports to GDP growth will increase in importance. Certain risks may

compromise the increase of GDP in Portugal. Firstly, the deceleration of global economic activities may condition the Portuguese economy's external demand; in particular, it may condition demand from relevant commercial partners such as Angola or Brazil. Brexit also contributes to the increase in the risk of an economic deceleration in Portugal. Domestic demand may also be conditioned by the need for additional budgetary measures, since Portugal did not comply with the budgetary targets in 2015, within a context where the high levels of debt of the private sector may hinder investment, notwithstanding the potentially positive effects of the accommodative monetary policy practiced by the ECB.

On 29 April, DBRS maintained the credit rating attributed to the Portuguese Republic. The eligibility of the Portuguese public debt for the ECB's extended programme for the purchase of assets depends on this credit rating. In October 2016, DBRS maintained the Republic of Portugal's long term foreign and local currency issuer ratings at BBB (low) with a stable outlook. DBRS noted the possibility of a downgrade if there was a weakening in the political commitment to sustainable economic policies or deterioration in public debt dynamics.

According to Banco de Portugal, the funding operations of Portuguese banks with the ECB decreased to EUR 23.5 billion in September 2016. This is consistent with the general trend in place since the second half of 2013. These figures show an improvement in the liquidity position of domestic banks, which has benefited from a resilient performance from deposits, namely from individuals (2.5% increase by the end of September 2016, compared to the same period of last year). Moreover, the deleveraging of the Portuguese financial sector continues and the total loans to individuals and non-financial corporations decreased by 2.0% and 4.9%, respectively, in September 2016, compared to the same period in 2015. The loan to deposit ratio of the Portuguese banking sector stood at approximately 101% at the end of the third quarter of 2016, compared to 128% at the end of 2012 and 158% at the end of 2010.

The credit granted by BCP continues to decrease, within a context of deleveraging of the non-financial economic sectors, resulting in a lower search for credit. At the same time, deposits also continued to decrease since the Bank let go of some large institutional deposits that required high remuneration, complying with a policy for the preservation of the financial margin. As the commercial gap closes, BCP has also been reducing its funding from the ECB.

The maintenance of very low money market interest rates contributes to the decrease in the spread on term deposits of the Portuguese banks. This trend persists in 2016, more than offsetting the lower spreads in credit. By the end of 2015, the rates of the new term deposits reached values of approximately 40 basis points. The portfolio's average rate is expected to converge to these levels over the course of the following year.

The price effect on the financial margin is expected to continue to be positive overall, reflecting the improvement of the Client interests margin (differential between the credit global rate and the global rate at which the banks remunerate the deposits). Nevertheless, the continued reduction in the credit granted (volume effect) will probably continue to condition the financial margin.

The profitability of the Portuguese banks continues to be significantly conditioned by (i) reduced GDP growth, (ii) low inflation rates, (iii) interest rates at historically low levels for a time period much longer than was initially expected, (iv) credit contraction, reflecting the deleveraging process of the non financial private sector, which is slower within the current context of low interest rates, (v) recognition of significant amounts of impairments, and (vi) a limited reduction of operating costs in the whole system. The low profitability levels continue to limit the capacity to generate capital internally.

The Bank has a relevant exposure to Poland where risks related to legal changes exist, including the plan for banks to return the cost of excessive foreign exchange spreads they charged their clients such as loans denominated in CHF and the introduction of the new banking tax in February 2016, which could have an impact on the Bank's financial condition. Furthermore, the Bank faces risks relating to the economic environment of certain African countries, namely Angola and Mozambique, whose economic activity is decelerating and who have also been facing a significant depreciation of their currency since the beginning of 2016.

The expected improvement in core income<sup>36</sup> as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2016 results, although conditioned by the economic context.

There is increasing focus on management of the stock of problematic assets and respective hedging levels. Measures should be adopted to foster the reduction of the stock of problematic assets, along with other preventive measures, to be applied within the scope of prudential supervision and targeted at new NPLs so as to foster a more pro active management of NPLs. Measures should also be adopted to remove restrictions in the legal, judicial and tax systems. The share capital increases recently announced by Banco Popular Español and by Popolare may indicate an intention to anticipate the provisioning for problematic assets and increase hedging by impairment. Antonio Costa, the Prime Minister of Portugal supports a systemic solution or so called "bad bank" solution to ease the pressure brought on the Portuguese banking system from non-performing loans as well as other non productive assets, including property.

It is not yet possible to determine the eventual impact that the resolution of BES may have on BCP, as an institution participating in the Resolution Fund created by Decree Law No. 31 A/2012, of 10 February. In 2015, the periodical contributions paid by the Bank to the Resolution Fund corresponded to about 20% of the total periodical contributions paid by the banking sector. The Resolution Fund owns in full Novo Banco's equity, valued at EUR 4.9 billion as at 31 December (of which EUR 3.9 billion from a loan granted by the State, EUR 700 million from a loan granted by a group of credit institutions, including the Bank, that are members of the Resolution Fund, and the remaining from the mobilisation of resources available to the Resolution Fund).

The financial resources of the Resolution Fund may come (i) from contributions, initial and periodical, made by the participating institutions, (ii) from the proceeds of the contributions of the banking sector set forth by Law No. 55 A/2010, of 31 December and (iii) from the investment of resources. It may also be funded by extraordinary contributions made by participating institutions or by loans or guarantees provided by the State.

Accordingly, the eventual impact of the Novo Banco resolution on BCP shall depend on external factors for which BCP is not responsible, including the value for which Novo Banco is sold and the type or types for hedging the eventual financial needs of the Resolution Fund. Additionally, following a clarification of Banco de Portugal, the possible contributions of the Resolution Fund from participating banks will only be recorded when they are due and payable and the contribution to the Resolution Fund should be recognised as a cost only in the year that it is due and the payment occurs. Banco de Portugal further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution applied to Novo Banco. According to Banco de Portugal, the possibility for a special contribution would appear, therefore, remote.

On 20 December 2015, the Portuguese government and Banco de Portugal resolved to sell the activity of BANIF and of the main portion of its assets and liabilities to Banco Santander Totta, under a resolution measure. This resolution measure, according to Banco de Portugal's press release on 20 December 2015, involves state aid of around EUR 2,255 million to cover future contingencies, of which EUR 489 million will be provided by the Resolution Fund and EUR 1,766 million directly by the State.

The BRRD foresees a joint resolution regime in the EU enabling authorities to cope with the insolvency of bank institutions. The shareholders and creditors will have to internalise an important part of the costs associated with the insolvency of a bank, minimising taxpayers' costs. To prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail in or of other resolution tools, and to avoid the contagion risk or a bank run, the BRRD establishes that the institutions must comply with a MREL. This MREL, which became effective during 2016, involves a transition period and should have implications on the issuance of debt by banking institutions. It also implies the introduction of alterations in the liability structure through the issuance of new senior debt with some subordination structure or by strengthening the Tier 2. The

---

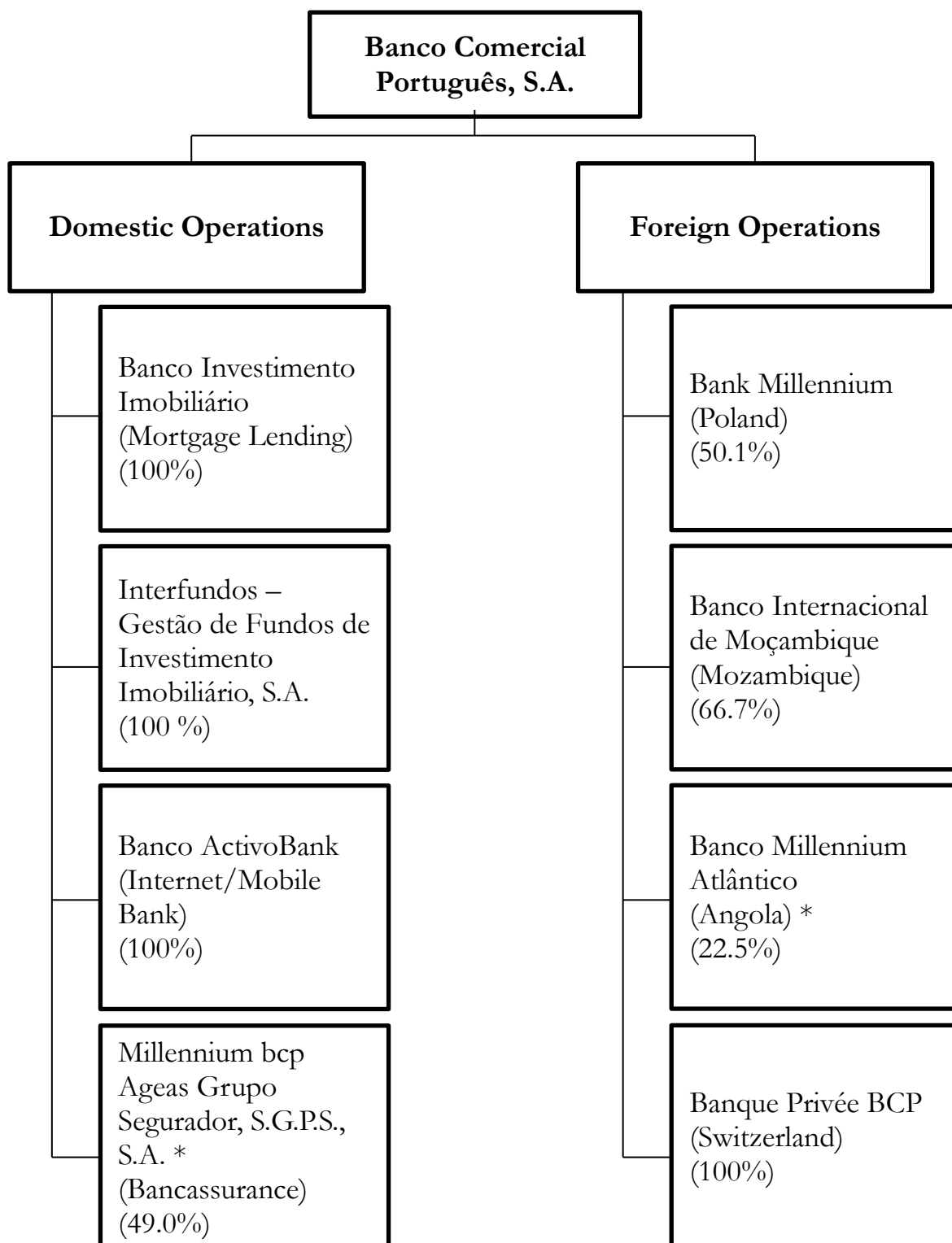
<sup>36</sup> Core income - net interest income plus net fees and commission income.

issuance of AT1 instruments may only be considered since the total reimbursement of the GSIs and will require a framework still under discussion.

#### **D. Organisational Structure**

##### *The Bank and the Group*

The following diagram summarises the organisational structure of the principal subsidiaries of the Group as at 30 June 2016:



\* Consolidated by the equity method.

In addition, the Bank's subsidiary, Millennium bcp-Prestação de Serviços ACE represents its associates regarding third parties, namely in the areas of IT, operational, administrative and procurement. The Bank is, directly or indirectly, the ultimate holding company of all the companies in the Group and is not dependent upon other entities within the Group. However, being the ultimate holding company of the Group, the activities developed by the other members of the Group have an impact on the Bank.

#### *Ownership and Control*

The Bank is not aware of any shareholder or group of connected shareholders who directly or indirectly control the Bank.

#### *Significant Subsidiaries*

The following is a list of the main subsidiaries of the Bank as of 30 June 2016:

<i>Subsidiary companies</i>	<i>Head Office</i>	<i>Activity</i>	<i>% held by the Group</i>	<i>% held by the Bank</i>
Banco de Investimento Imobiliário, S.A. ....	Lisbon	Banking	100	100
Banco ActivoBank, S.A. ....	Lisbon	Banking	100	–
Banco Millennium Atlântico, S.A. ....	Luanda	Banking	22.5	–
Bank Millennium, S.A. ....	Warsaw	Banking	50.1	50.1
Banque Privée BCP (Suisse) S.A. ....	Geneva	Banking	100	–
Banco Internacional de ..... Moçambique, S.A. ....	Maputo	Banking	66.7	–
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A. ....	Oeiras	Investment fund management	100	100
Millennium bcp - Prestação ..... de Serviços, A. C. E. ....	Lisbon	Services	93.7	83.2
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. ....	Oeiras	Holding company	49	–

#### **General information**

So far as the Bank is aware, there are no arrangements in place, the operation of which may result in a change of control of the Bank.

The Bank has made no material investments since the date of the last published financial statements and the Bank has not made relevant firm commitments on future investments.

Except for the Rights Offering, there have been no recent events particular to the Bank, which are to a material extent relevant to the evaluation of the Bank's solvency.

#### **E. Share Capital**

The authorised, issued and fully paid up share capital of the Bank is EUR 5,600,738,053.72 divided into 15,113,989,952 shares with no nominal value. The shares are ordinary, issued in a dematerialised book-entry form (*escriturais*) and *nominativas*, and are integrated in a centralised system recognised under the Portuguese Securities Code (Central de Valores Mobiliários) managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., with its registered office at Avenida da Boavista, 3433, 4100 -138 Oporto.



## **F. Legislation regulating the activity of the Bank**

The Bank is governed by European Union rules, banking and commercial Portuguese laws on limited liability companies (*sociedades anónimas*) – notably by the Portuguese Companies Code – and, in particular, by the Banking Law (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), by the Portuguese Securities Code (*Código dos Valores Mobiliários*) and other complementary legislation.

In general terms, the Bank's activity as a credit institution is subject to the supervision of the Bank of Portugal, to the supervision of the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) as an issuer and a financial intermediary and to the supervision of the Portuguese Insurance and Pension Funds Supervisory Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF)*) as the tied insurance intermediary.

## **G. Management, Audit Committee and Statutory Auditor**

On 28 February 2012, the Bank adopted a one-tiered corporate governance model, with one Board of Directors within which there is an Executive Committee, an Audit Committee, a Remunerations and Welfare Board and a Board for International Strategy, plus a Statutory Auditor.

### **Board of Directors**

According to the Articles of Association of the Bank, the Board of Directors is composed of a minimum of 17 and a maximum of 25 members, elected by the General Meeting of Shareholders.

20 members of the Board of Directors of the Bank were elected at the General Meeting of Shareholders held on 28 February 2012, for the 2012/2014 term of office. On 4 December 2012, due to the Bank's recapitalisation operation, the State appointed Mr. Bernardo de Sá Braamcamp Sobral Sottomayor and Mr. José Rodrigues de Jesus as its representatives in the Board of Directors of the Bank during the period of the State aid for strengthening own funds. Two members of the Board of Directors presented their resignation from their positions and the General Meeting of Shareholders of 30 May 2014 resolved to reduce the number of members of the Board of Directors from 22 to 20, with deferred and conditional effect, i.e. producing effects on 31 December 2014 if, until that date a co-optation or a replacement by other has not taken place. The reduction will be from 22 to 21 members if only one of the co-optations mentioned above occurs during that period.

On 15 October 2014, the Board of Directors co-opted Raquel Rute da Costa David Vunge as non-executive member of the Board of Directors to replace and fulfil the term of office of Mr. César Paxi Manuel João Pedro, who renounced to it. The co-optation was ratified at the General Meeting of Shareholders held on 11 May 2015.

The General Meeting of Shareholders held on 11 May 2015 approved the election of the Board of Directors for the 2015/2017 term of office, including the Audit Committee.

Mr. Bernardo de Sá Braamcamp Sobral Sottomayor presented its resignation as member of the Bank's Board of Directors, which was approved by the Minister of State and Finance on 26 February 2016.

Following the resignation of Mr. Bernardo de Sá Braamcamp Sobral Sottomayor, on 16 December 2016, the Portuguese State appointed Mr. André Palma Mira David Nunes, as a non-executive member of the Bank's Board of Directors, to be its representative in the Bank's corporate bodies.

On 9 January 2017, the Board of Directors resolved on the cooptation of Mr. Lingjiang Xu and Mr. João Nuno Palma to exercise the functions of members of the Board of Directors, non-executive and executive, respectively, until the end of the current term of office (2015-2017). The decision is pending authorisation from the ECB.

On 10 February 2017, BCP announced that Mr João Benuando Bastos Mendes Resende, member of the Board of Directors, presented his resignation to the Board of Directors.

Currently, the Board of Directors has the following members:

Chairman:	António Vítor Martins Monteiro
Vice-Chairmen:	Carlos José da Silva
	Nuno Manuel da Silva Amado
Members:	Álvaro Roque de Pinho Bissaia Barreto
	André Magalhães Luiz Gomes
	André Palma Mira David Nunes (Member appointed by the Portuguese government for the duration of the State aid to increase own funds)
	António Henriques de Pinho Cardão
	António Luís Guerra Nunes Mexia
	Cidália Maria Mota Lopes
	Jaime de Macedo Santos Bastos
	João Bernardo Bastos Mendes Resende (resignation dated 10 February 2017)
	João Manuel de Matos Loureiro
	João Nuno de Oliveira Jorge Palma (Member coopted on 9 January 2017. Awaiting authorisation from the ECB and Banco de Portugal for exercising his functions)
	José Jacinto Iglésias Soares
	José Miguel Bensliman Schorcht da Silva Pessanha
	José Rodrigues de Jesus (Member appointed by the Portuguese government for the duration of the State aid to increase own funds)
	Lingjiang Xu (Member coopted on 9 January 2017. Awaiting authorisation from the ECB and Banco de Portugal for exercising his functions)
	Maria da Conceição Mota Soares de Oliveira Callé Lucas
	Miguel de Campos Pereira de Bragança
	Miguel Maya Dias Pinheiro
	Raquel Rute da Costa David Vunge
	Rui Manuel da Silva Teixeira

Positions held outside the Group by the Members of the Board of Directors that are relevant to the Group:

<u>Name</u>	<u>Position</u>	<u>Company</u>
<b>António Vítor Martins Monteiro</b>	Member of the Board of Directors	Banco Sabadell in representation of BCP, S.A.
	Non-executive member of the Board of Directors	SOCO International, Plc
<b>Carlos José da Silva</b>	Chairman of the Board of Directors	Banco Millennium Atlântico, S.A.
	Chairman of the Board of Directors	Banco Privado Atlântico Europa, S.A.
	Chairman of the Board of Directors	Atlântico Europa, SGPS, S.A.
	Chairman of the Board of Directors	Angola Management School
<b>Nuno Manuel da Silva Amado</b>	Vice-Chairman	APB-Associação Portuguesa de Bancos (in representation of BCP)
	Member of the Supervisory Board	EDP-Energias de Portugal, S.A.

	Member	Institut Internacional D'Études Bancaires
	Member of the Board of Auditors	Fundação Bial
	Chairman of the Advisory Council	Centro Hospitalar do Oeste
	Member of the General Board	
	Effective member of the Plenary	Universidade de Lisboa Interdisciplinary Specialised Committee for Birthrate (CEPIN) and of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the Conselho Económico e Social (CES)
<b>Álvaro Roque de Pinho Bissaia Barreto</b>	Chairman of the Board of Directors	Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.
	Non-executive director	Nutrinveste - Soc. Gestora de Participações Sociais, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Prime Drinks, S.A.
<b>André Magalhães Luís Gomes</b>	Lawyer	Sociedade de Advogados Luiz Gomes & Associados
	Member of the Board of Directors	Modern and Contemporary Art Foundation - Berardo Collection
	Member of the Board of Directors	Bacalhôa - Vinhos de Portugal, S.A.
	Chairman of the Board of the General Meeting of Shareholders	FGA Capital - Instituição Financeira de Crédito, S.A.
	Chairman of the Board of the General Meeting of Shareholders	FGA Distribuidora Portugal, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Fiat Group Automobiles Portugal, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Rentipar Financeira, SGPS - S.A.
	Chairman of the Board of the General Meeting of Shareholders	Quinta do Carmo - Sociedade Agrícola S.A.
	Chairman of the Board of the General Meeting of Shareholders	Explorer Investments, Sociedade Capital de Risco S.A.
	Chairman of the Board of the General Meeting of Shareholders	Explorer Investments, SGPS S.A.
	Chairman of the Board of the General Meeting of Shareholders	Atena Equity Partners - Soc. de Capital de Risco S.A.
	Chairman of the Board of the General Meeting of Shareholders	Charon - Prestação de Serviços de Segurança e Vigilância, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Açoreana - Companhia de Seguros
	Chairman of the Board of the General Meeting of Shareholders	Optime Investments, Soc. Capital de Risco, S.A.
	Chairman of the Board of the General Meeting of Shareholders	Ferrado NaComporta, S.A.
<b>António Henriques de Pinho Cardão</b>	Economist	

<b>André Palma Mira David Nunes</b> (1)	Partner	Raven Capital
	Non-executive member of the Board of Directors and Member of the Audit Committee	Cimpor - Cimentos de Portugal, SGPS, S.A.
	Chairman of the Board of Auditors	Vila Galé, Soc. De Empreendimentos Turísticos, S.A.
	Vice-Chairman of the Executive Management	Associação Missão Crescimento
<b>António Luís Guerra Nunes Mexia</b>	Chairman of the Audit Board	Associação Por Uma Democracia de Qualidade
	Chief Executive Officer (CEO)	EDP - Energias de Portugal, S.A.
	Chairman of the Board of Directors	EDP Renováveis, S.A.
	Member of the Board of Directors	EDP - Energias do Brasil, S.A.
<b>Jaime de Macedo Santos Bastos</b>	Chairman of the Board of Directors	Union of the Electricity Industry – Eurelectric AISBL (association)
	Chairman of the Board of Directors	Fundação EDP
	Statutory Auditor	Several companies
	Managing Partner	Chartered Accountants Company Kreston & Associados, SROC, Lda.
<b>João Bernardo Bastos Mendes Resende</b>	Member of the Advisory Board	Banco Sabadell - Urquijo Banca Privada
<b>João Manuel de Matos Loureiro</b>	Professor	School of Economics of the University of Porto (" <b>FEP</b> ") and Porto Business School
	Head of the Post Graduate Degree	Company Management of Porto Business School
	Chairman of the Representative Board	FEP
	Non-executive Director	SIBS, SGPS, S.A. and of SIBS Forward Payment Solutions, S.A.
<b>José Jacinto Iglésias Soares</b>	Member of the Remunerations Committee	Unicre - Instituição Financeira de Crédito, S.A. (in representation of BCP)
	Member of the General Board, in representation of Banco Comercial Português, S.A.	AEM-Associação de Empresas Emitentes de Valores Mobiliários Cotadas no Mercado
	Alternate Member of the Plenary and of the Specialised Standing Committee	Social and Economic Policy of CES - Conselho Económico e Social
	Member of the General Board	IPCG - Instituto Português de Corporate Governance, representing Banco Comercial Português, S.A.
<b>José Rodrigues de Jesus</b> (1)	Single Auditor	Arlindo Soares de Pinho, Lda.
		Arsopi - Indústrias Metalúrgicas Arlindo S. Pinho, S.A.

		Arsopi - Holding, Sociedade Gestora de Participações Sociais, S.A. Calfor - Indústrias Metálicas, S.A. DIMO - Desenvolvimento Imobiliário e Construção, S.A. Divinvest - Promoção Imobiliária, S.A. Edemi Gardens - Promoção Imobiliária, S.A. Camilo dos Santos Mota, S.A. Oliveira Dias, S.A. IMOAGUEDA, SGPS, S.A.
	Member of the Audit Board	Mota-Engil, SGPS., S.A. Germen - Moagem de Cereais, S.A. Labesfal – Laboratórios Almiro, S.A.
	Chairman of the Board of Auditors	AGEAS Portugal – Companhia de Seguros de Vida, S.A. AGEAS Portugal – Companhia de Seguros, S.A. Banco Millennium Atlântico, S.A.
<b>Maria da Conceição Mota Soares de Oliveira Callé Lucas</b>	Member of the Board of Directors	
<b>Miguel de Campos Pereira de Bragança</b>	Manager	Quinta das Almoinhas Velhas-Imobiliária Lda.
	Member of the Board	Fundação da Casa de Bragança
<b>Miguel Maya Dias Pinheiro</b>	Member of the Senior Board	Alumni Clube ISCTE
	Vice-Chairman of the Board of Directors	Banco Millennium Atlântico, S.A.
<b>Raquel Rute da Costa David Vunge</b>	Member of the Board of Directors	Galp Energia, SGPS, S.A.
	Member of the Board of Directors	Banco Caixa Geral de Angola, S.A.
<b>Rui Manuel da Silva Teixeira</b>	Member of the Board of Directors	Unicre-Instituição Financeira de Crédito, S.A. (in representation of BCP)
	Member of the Remunerations Committee	SIBS, SGPS, S.A. and SIBS
	Chairman of the General Meeting	Forward Payment Solutions, S.A. Associação Porto Business School
<b>Lingjiang Xu</b>	Managing Director	Fosun Iberian Investment Department
	Non-executive member of the Board of Directors	Fidelidade – Companhia de Seguros S.A.
	Non-executive member of the Board of Directors	Luz Saúde, S.A.

(1) Director appointed by the Portuguese State for the period of enforcement of the public investment to strengthen own funds.

To the best of the Issuer's knowledge, no member of the Board of Directors of the Bank has any external activity relevant for the Bank other than the ones listed above.

For all the purposes resulting from the functions of the members of the Board of Directors, their professional domicile is at Av. Prof. Dr. Cavaco Silva (Parque das Tecnologias), Edifício 1, Piso 2, 2744-002 Porto Salvo.

### **Executive Committee**

Under the terms of the law and of the Articles of Association of the Bank, the Board of Directors appointed an Executive Committee on 11 May 2015, composed of seven of its members, which performs all the Bank's current management functions that are not to be exercised by the Board of Directors. The members of the Executive Committee are as follows:

Chairman:	Nuno Manuel da Silva Amado
First Vice-Chairman:	Miguel Maya Dias Pinheiro
Second Vice-Chairman:	Miguel de Campos Pereira de Bragança
Members:	José Jacinto Iglésias Soares
	José Miguel Bensliman Schorcht da Silva Pessanha
	Maria da Conceição Mota Soares de Oliveira Callé Lucas
	Rui Manuel da Silva Teixeira

### **Audit Committee**

Under the terms of the Articles of Association of the Bank, the Bank's supervision pertains to an Audit Committee elected by the General Meeting of Shareholders and composed of a minimum of three and a maximum of five members.

The Audit Committee, created in accordance with the provisions of number 1 of article 278 of the Portuguese Companies Code and in accordance with Article 39 of the Articles of Association of the Bank, is particularly responsible for (amid the remaining powers attributed to it by law):

1. Monitoring the Bank's management;
  - (a) Verifying the compliance with the law and the Articles of Association;
  - (b) Verifying the regularity of the books, accounting records and documents supporting them;
  - (c) Verifying the accuracy of the financial statements;
  - (d) Supervising the efficiency of the risk management system, the internal control system and the internal audit system;
  - (e) Receiving the communications stating irregularities reported by shareholders, employees of the Bank or others;
  - (f) Monitoring the preparation and disclosure of financial information;
  - (g) Proposing to the General Meeting of Shareholders the election of the Chartered Accountant and of the External Auditor;
  - (h) Supervising the audit of the annual report and financial statements of the Bank;

- (i) Verify the Statutory Auditor's independence, namely regarding the rendering of non-audit services;
- (j) Engaging the provision of services by experts to assist one or several of its members in the exercise of their functions. This engagement and the remuneration of the experts must take into account the importance of the issues committed to them and the Bank's economic situation; and
- (k) Complying with all the other duties attributed to it by the law or by the Articles of Association.

The Audit Committee is composed of the following members:

Chairman:	João Manuel de Matos Loureiro
Members:	Jaime de Macedo Santos Bastos
	Cidália Maria Mota Lopes
	José Rodrigues de Jesus (Member appointed by the Portuguese government for the duration of the State aid to increase own funds)

### **Statements regarding the Members of Management and Supervision Bodies**

To the best of the Issuer's knowledge and in its understanding, having made enquiries, there are no potential conflicts of interests between the duties of any member of the management and supervision bodies identified above towards the Issuer or towards any other Group company and his/her personal interests and duties. There are non-executive members of the Board of Directors with functions in other financial institutions that can be considered competitors of the Bank. For this situation, the General Meeting of Shareholders held on 28 February 2012 resolved to authorise the presence of those members in the Board of Directors, which was also authorised in the General Meeting of Shareholders held on 11 May 2015 where the current members of the Board of Directors were elected, with the mention of the adoption of a restrictive regime of access to sensitive information.

### **Statutory Auditor**

The current Statutory Auditor and External Auditor of the Bank, Deloitte & Associados SROC, S.A., and alternatively Carlos Luís Oliveira de Melo Loureiro, ROC No. 572, were elected at the General Meeting of Shareholders held on 21 April 2016, for the triennial 2016/2018, by a majority of 99.1233% and 94.9982% of the votes cast, respectively.

The term of office of the Statutory Auditor and External Auditor began on 5 May 2016, after the first quarter's financial statements were presented to the Board of Directors.

Deloitte & Associados SROC, S.A. has issued a limited review report of interim condensed consolidated financial statements as at and for the nine months ended 30 September 2016. Deloitte & Associados SROC, S.A. has not performed any audit of the consolidated financial statements of the Bank, which is expected to be conducted with reference to 31 December 2016.

The former External Auditor and Statutory Auditor of the Bank was KPMG & Associados, SROC, S.A. (SROC No. 189), member of the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*), effectively represented by its partner Ana Cristina Soares Valente Dourado, ROC No. 1011, and alternatively by Jean-Éric Gaigne, ROC No. 1013.

KPMG & Associados, SROC, S.A. resigned from office on 2 May 2016, when the first quarter's financial statements were presented to the Board of Directors, having been replaced in its functions by Deloitte & Associados SROC, S.A. on 5 May 2016.

There are no potential conflicts of interest between the duties to the Bank of the persons listed above and their private interest or duties.

## **H. The Portuguese Banking System**

### **History and Overview**

#### *Developments in markets and products offered*

The deregulation of the Portuguese banking system began in 1984. As a result, private and foreign-owned banks were licensed to begin operations and compete with the 12 state-owned banks, mutual savings bank and three previously licensed foreign-owned financial institutions then operating in Portugal. Between 1985 and 1992, 19 private banks were incorporated in Portugal, of which six were originally Portuguese-owned commercial banks, five were Portuguese-owned investment banks and eight were foreign-owned commercial banks. In the second half of 1992, the Portuguese Government authorised the establishment of one Portuguese-owned investment bank, one Spanish-owned investment bank, as well as the transformation of several investment companies into five Portuguese-owned investment banks. These financial institutions began operating as investment banks during the first half of 1993. At the end of 2009, 67 banks were operating in the Portuguese banking market, of which 26 were non-domestic.

In 1989, the Portuguese government began implementing its banking privatisation programme. This programme was intended to increase the efficiency of the Portuguese financial system and stimulate the development of Portuguese capital markets. The implementation of this programme has enabled a rapid increase in the relative importance of the private sector within the banking industry. As part of this programme, the Portuguese Republic sold its holdings in Banco Totta & Açores, Banco Português do Atlântico, Banco Espírito Santo e Comercial de Lisboa, Banco FONSECAS & BOMAY, Banco Pinto & Sotto Mayor and União de Bancos Portugueses. The Portuguese Government also sold its holding in Crédito Predial Português, Portugal's second largest savings bank at that time, as well as its holdings in Banco de Fomento and Banco Comercial dos Açores. Banco Nacional Ultramarino has been integrated into the financial conglomerate led by Caixa Geral de Depósitos, a savings bank that is Portugal's largest financial institution in terms of assets as at 31 December 2015, and is expected to remain controlled by the Portuguese Government.

The privatisation programme pursued by the Portuguese Government fostered modernisation and a consolidation of the banking system during the second half of the 1990s. Portugal's participation as a founder of the third phase of the EMU greatly influenced the Portuguese financial system. Portugal's accession to the Eurozone had a significant impact on its financial system, as accession led to significant changes in Portugal's regulatory and supervisory framework and has resulted in the adoption of new market rules. Moreover, it contributed to a more competitive environment and thus, indirectly, influenced corporate strategies and the expectations of individual customers.

The Portuguese banking sector has been one of the most active in both domestic and cross-border mergers and acquisitions. After the privatisation of Portugal's leading commercial banks in the early 1990s, domestic consolidation in the banking industry intensified in the latter half of the 1990s, as banks sought to achieve economies of scale and realise operating synergies. Examples of this consolidation include the Bank's acquisition of Banco Português do Atlântico in 1995, and its acquisition of Banco Pinto & Sotto Mayor and Banco Mello in 2000. Growth through acquisition was thought to be important to achieve the necessary size to compete effectively in the emerging single European financial services market, affording stronger commercial capabilities and higher productivity levels, thereby diminishing potential vulnerabilities to approaches by larger European banks. Nonetheless, the market experienced severe instability; in particular, on 3 August 2014, pursuant to the decision by Banco de Portugal, a resolution measure was applied to Banco Espírito Santo, S.A., which gave origin to Novo Banco (the so-called "good bank" of former Banco Espírito Santo, S.A.) that was capitalised in the amount of EUR 4.9 billion. In addition, Banco de Portugal decided on 19 and 20 December 2015, to apply a resolution measure to BANIF. BANIF's business and most of its assets and liabilities have been



sold to Banco Santander Totta. Novo Banco is under the remit of Fundo de Resolução and the sale process is ongoing, whereas BES is currently undergoing liquidation proceedings.

The Bank competes primarily with the other four major Portuguese banking groups: Caixa Geral de Depósitos, Novo Banco, Banco Santander Totta and BPI. The market share of the five major banking groups in Portugal has grown substantially since 1995. By the end of 2015, this market share exceeded 80% for gross loans to customers and 77% for customer funds for the Portuguese market.

Since 1996, there has been a significant expansion of personal financial services in the Portuguese banking market, resulting in the development of the mortgage credit market, consumer loans, investment funds and unit-linked products, and the increased use of credit cards. The Portuguese banking market is now mature, and includes strong domestic competitors that incorporate a multi-product, multi-channel and multi-client segmented approach. This has allowed Portuguese banks to tailor their financial products and services to customers' needs and to improve their commercial capabilities. In addition, there has been a significant development of internet banking operations and the use of new techniques, such as customer relationship management, which enables banks to accurately track customer requirements. Such techniques have benefited cross-selling initiatives and have increased the proportion of Portuguese banks' non-interest income in recent years.

The Portuguese banking system currently includes commercial banks, investment banks, savings banks, mutual credit institutions and agricultural credit cooperatives, credit financial institutions, investment companies, leasing companies, factoring companies and internet financial companies, including new players, such as Bankinter and Banco CIT, each of which competes with the Bank in attracting customer funds, granting loans and providing diversified financial services.

#### *Developments in legislation and regulation*

A comprehensive revision of existing legislation was carried out through an update of the Banking Law in December 1992. This revision set out the regulatory framework for universal banks which, as a result, started to engage in a full range of banking activities, and abolished the traditional distinction between commercial and investment banks. In addition, any bank established in any Member State was permitted to establish a branch and provide services in any other Member State, while remaining subject to supervision and regulation by its country of origin. The regulations governing other credit institutions, such as mutual credit institutions, agricultural cooperatives, investment companies and leasing, factoring and consumer finance companies were also standardised.

In September 2002, the Banking Law was updated in order to revise the scope of activity for credit institutions and financial companies. Legislation also introduced a new category of credit financial institutions. The new legislation has also simplified the process of establishing credit institutions, especially in relation to entities based in the EU, and revised the prudential and supervisory rules. The Banking Law was further amended in October 2003, so as to include a legal framework for collective investment undertakings and their managing companies. In July 2006, the Banking Law received other alterations relating to the supplementary supervision of credit institutions, insurance companies and investment companies of a financial conglomerate and the establishment of a new organic structure for the committees dealing with financial services issues. Rules concerning access to and the exercise of the activities performed by credit institutions were also altered in April 2007. In October 2007, Directive 2004/39/EC ("**MiFID**"), which governs the exercise of the business of financial institutions, financial markets and associated trading systems, instituting greater competition between operators within Europe while strengthening the protection mechanisms for end investors, particularly through segmentation according to their degree of financial sophistication, and the Transparency Directive were implemented into Portuguese law.

In January 2008, the Banking Law was amended in order to grant Banco de Portugal the power to supervise the conduct of these entities. Since then, minor and significant amendments have been adopted by the Banking Law, which has been amended several times with respect to: personal and professional qualifications of the top management and credit policy to members of the Board of Directors (Decree-Law no. 126/2008); disclosure

duties of banks towards customers in pre-contractual contacts and guarantee schemes (Decree-Law no. 211-A/2008 and Decree-Law no. 119/2011); transfers of funds to offshore jurisdictions and prohibition of credit to clients based in non-cooperative off-shore jurisdictions (Law no. 28/2009); limits to the capital of non-financial societies owned by banks (Decree-Law no. 162/2009); extension to the tax authorities and to judiciary authorities of exceptions to banks' duty of secrecy (Law no. 94/2009 and Law no. 36/2010); European payments system (Decree-Law no. 317/2009); qualified shareholdings and voting rights (Decree-Law no. 52/2010); oversight of investment funds (Decree-Law no. 71/2010); financial system risk assessment (Decree-Law no. 140-A/2010); compensation policy and risk evaluation (Decree-Law no. 88/2011); jurisdiction (Law 46/2011); credit institution restructuring rules (Decree-Law no. 31-A/2012); access to the activity by electronic money institutions, its exercise and prudential supervision (Decree-Law no. 242/2012); reinforcement of financial stability (Law no. 64/2012); EBAs competence (Decree-Law no. 18/2013); collective investment undertakings (Decree-Law no. 63-A/2013); resolution measures applicable to financial institutions (Decree-Law no. 114-A/2014 and Decree-law no. 114-B/2014); transposition of the CRD IV and the CRR (Decree-Law no. 157/2014); collective investments undertakings (Law no. 16/2015); transposition of the BRRD (Law no. 23-A/2015); commissions on deposits (Law no. 66/2015); resolution measures applicable to financial institutions (Decree-Law no. 140/2015); measures to promote the stability of the Portuguese financial system (Law no. 118/2015); legal framework applicable to "Caixas Económicas" (Decree-Law no. 190/2015); and voting caps (Decree-Law no. 20/2016).

### *The Basel framework*

Basel II was implemented in stages throughout 2008 in the Member States. Basel II relates to the adequacy requirements in respect of own funds needed to provide for credit risks, creating a new basis for differentiation between credit institutions in order to evaluate counterparty risk. The creation of the Single Euro Payments Area in 2008 also promoted full harmonisation of the systems and transaction costs within the EU.

On 12 September 2010, the Basel Committee on Banking Supervision ("**BCBS**") announced a new capital agreement on Banking Supervision known as Basel III, which revises most of the capital and liquidity minimum requirements. This agreement has more demanding requirements for capital which will gradually be introduced over a transition period to ease the impact on the international financial system. The minimum capital requirement for Common Equity Tier 1 capital (which does not include hybrid capital) will increase gradually from 3.5% of RWAs as of 1 January 2013 to 7.0% of RWAs in 2019, including a capital conservation buffer. The total solvency ratio will increase from 8.0% to 10.5% between 2016 and 2019. Additional changes include: (i) a progressive increase of the common equity ratio from 3.5% as of 1 January 2013 to 4.5% in 2015; (ii) a progressive increase in the Tier 1 ratio from 4.0% to 6.0% in 2015; (iii) an additional capital conservation ratio requirement of 2.5% over common equity, with a progressive implementation from 2016 to 2019, and application of restrictions on a bank's ability to pay dividends and make other payments if capital is lower than common equity and the capital conservation ratio; (iv) a countercyclical capital buffer, which will be between 0.0% and 2.5% of RWAs with the ability to absorb losses as a function of the credit cycle stage subject to its application by national supervisory authorities; and (v) the leverage ratio will be tested on a non-adjusted risk ratio of 3.0%.

On 17 May 2011, Banco de Portugal's Notice no. 3/2011 was published. This Notice (which has already been amended by Notices no. 8/2011 and 4/2012) established the obligation for Portuguese banks to have a Core Tier 1 level of at least 9% by 31 December 2011, and of at least 10% by 31 December 2012.

In addition, on 8 December 2011, the EBA recommended the temporary strengthening of capital requirements in accordance with the exposure of banks to sovereign debt. This recommendation was endorsed by Banco de Portugal, which, in line with the guidelines issued by the EBA, established in Notice no. 5/2012 that these additional requirements should be complied with by 30 June 2012. On 22 July 2013, the EBA issued a recommendation on the preservation of Core Tier 1 capital during the transition to the CRD IV CRR framework.

Under Notice no. 6/2013, which established how the transitional provisions of the CRR would apply to minimum capital requirements and the respective calculation, and pursuant to EU Regulation 575/2013, Banco

de Portugal has established that banks shall permanently ensure the maintenance of a Common Equity Tier 1 capital ratio level of at least 7% and, between 1 January 2014 and 31 December 2014, a Tier 1 capital ratio level of 6%.

The Basel III framework also contains stricter requirements regarding the quality of capital that may count as Common Equity Tier 1 capital and the calculation of RWAs. Full implementation of Basel III is expected to occur by the beginning of 2019. Basel III recommendations also provide for short and long-term liquidity ratios and funding ratios, the LCR and NSFR, respectively. Implementation of the LCR is recommended to be carried out at 60% in 2015, with an annual 10% increase until it reaches 100% in 2019, in order to address the sufficiency of HQLAs to meet short-term liquidity needs in high stress scenarios, where the value of these assets may not be less than 100% (from 2019 onwards) of net outflows of cash flow for the 30 days following the relevant stress date. The NSFR, which is recommended to be implemented in 2018, seeks to establish a minimum amount of stable funding based on the liquidity features of assets of the relevant institution and its activities during the one-year period.

#### *The Capital Requirements Directive and the Bank Recovery and Resolution Directive*

In recent years, the European Parliament adopted a package of legislative measures relating to the EU crisis driven reform programme. This reform agenda, comprising a set of approximately 40 legislative proposals and accompanying institutional reforms, has led to a fundamental reconfiguration of the EU regulatory framework and of the architecture of supervision. The EU reforms were very broad-ranged and closely associated with the G20 reforms and to the BCBS proposals, as was the case of Directive 2013/36/EU of the European Parliament (the "**CRD IV**") and of the Council of 26 June 2013—and Regulation (EU) no. 575/2013 of 26 June 2013 (the "**CRR**"). CRD IV and the CRR aimed at increasing the level and quality of bank capital and setting minimum liquidity standards and introduced additional capital buffers for future periods of stress and specific capital requirements for systemically important banks to reduce systemic risk in the banking sector.

On 23 November 2014, Decree-Law No 157/2014, of 24 October 2014, entered into force, amending the Legal Framework of Credit Institutions and Financial Companies, and implementing CRD IV and CRR. See further "*European Regulatory Standards*" below.

On 15 May 2014, the European Parliament and the Council adopted Directive 2014/59/EU that established a framework for the recovery and resolution of credit institutions and investment firms and amended Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, and 2012/30/EU, and Regulations (EU) no. 1093/2010 and (EU) no. 648/2012, of the European Parliament and of the Council (the ("**BRRD**") which represents the implementation of the "Minimum requirements to ensure loss absorbency at the point of non-viability" ("**MREL**") in the EEA pursuant to the Basel Committee press release issued on 13 January 2011.

The BRRD provides national authorities with common tools and powers to address banking crises pre-emptively, in order to safeguard financial stability and minimise taxpayers' exposure losses. The BRRD was implemented in Portugal through Law no. 23-A/2015, of 26 March (which amended the Banking Law).

The powers provided to resolution authorities in the BRRD include the comprehensive bail-in tool described under "*Framework for the recovery and resolution of credit institutions and investment firms*", as well as write down/conversion powers to ensure that capital instruments (including Additional Tier 1 and Tier 2 instruments, such as Subordinated Notes issued hereunder) and other eligible liabilities fully absorb losses at the point of non-viability of the issuing institution. Accordingly, the BRRD contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full or permanent basis, or convert them in full Common Equity Tier 1 instruments, to the extent required and up to their capacity, at the point of non-viability immediately before the application of any other resolution action, if any. The BRRD provides, inter alia, that resolution authorities shall exercise the write down power in a way that results in (i) Common Equity Tier 1 instruments being written down first in proportion to the relevant losses and (ii) thereafter, the principal amount of other capital instruments being written down or converted into Common Equity Tier 1 on a

permanent basis and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority. The bail-in tool follows the 'no creditor worse off than under normal insolvency proceedings' principle.

To avoid institutions structuring their liabilities in a manner that impedes the effectiveness of the bail-in tool, the BRRD requires that institutions meet at all times a minimum requirement for own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. Resolution authorities may be able to require, on a case-by-case basis, that percentage to be wholly or partially composed of own funds or of a specific type of liabilities. Finally, the BRRD established a European system of financing arrangements to which each institution must contribute at least annually. The contribution of each institution shall be pro rata to the amount of its liabilities (excluding own funds) less covered deposits, with respect to the aggregate liabilities (excluding own funds) less covered deposits of all the institutions authorised in the territory of a Member State. Those contributions shall also be adjusted in proportion to the risk profile of institutions.

## **Supervision and Regulation**

### *System of Financial Supervision*

Banco de Portugal is the central bank of Portugal and is a full member of the European System of Central Banks, which includes the ECB and the central banks of other Member States. Banco de Portugal participates in defining and implementing monetary and exchange rate policies with the European System of Central Banks. It is responsible for the stability of the financial system as a lender of last resort.

Council Regulation (EU) No. 1024/2013, of 15 October and Regulation (EU) No. 468/2014, of the European Central Bank, of 16 April 2014, set forth the legal framework applicable to the Single Supervisory Mechanism ("SSM"). The SSM, which entered into force on 4 November 2014, created a new system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. From that date onwards, the ECB assumed the role of direct and indirect banking supervisor of significant and less significant banks (respectively) to ensure that the largest banks in Europe are independently supervised under common rules. The Bank has been considered a significant credit institution and it is, therefore, subject to the ECB's direct supervision.

According to this new supervisory system, the ECB has the authority to conduct supervisory reviews, on-site inspections and investigations, grant or withdraw banking licenses, assess bank's acquisition and disposal of qualifying holdings, ensure compliance with EU prudential rules and set higher capital requirements ("buffers") in order to counter financial risks. Additionally, Banco de Portugal as the national macroprudential authority can establish risk buffers and impose specific transitional periods.

As of the date of this Offering Circular, the ECB directly supervises approximately 130 financial institutions, including (since 4 November 2014) the Bank, that are considered to be systemically relevant. The ECB's supervision of the approximately 6,000 other financial entities is exercised in conjunction with national authorities. The "SSM Regulation" and the "SSM Framework Regulation" provide the legal basis for the operational arrangements of the SSM.

Banks that are not considered significant credit institutions continue to be supervised by their national supervisors, in close cooperation with the ECB. Banco de Portugal maintains supervisory and regulatory powers over those banks and over non-deposit taking financial institutions operating in Portugal (with the exception of insurance companies and pension fund management companies, which are supervised and regulated by Autoridade de Supervisão de Seguros e Fundos de Pensões, and mutual fund management companies, which are supervised by the CMVM). Banco de Portugal is also responsible for establishing certain accounting guidelines applicable to Portuguese banks. The Governor and the members of the board of directors of Banco de Portugal are appointed by the Portuguese Government for a five-year term. Banco de Portugal establishes rules relating to solvency ratios, reserve requirements, the control of major risks and provisions for specific and general credit risks. It also monitors compliance with these rules through periodic inspections, the review of regularly filed

financial statements and reports and a continuing assessment of adherence to current regulation, within the legal framework of the SSM. Infringements or violations of applicable regulations may give rise to warnings or penalties. See further "*The Single Supervisory Mechanism*" below.

Within the Single Resolution Mechanism ("**SRM**"), established by Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014, the SRB is the resolution authority within the Banking Union. Together with the National Resolution Authorities ("**NRAs**") of participating member states it forms the SRM, the second pillar of the Banking Union. For Portugal, the NRA is Banco de Portugal. The SRB's mandate is to ensure the orderly resolution of failing banks. If required, the SRB decides on the resolution of a failing or likely to fail bank, with the involvement of the EC and of the Council of the EU, while the NRA executes the resolution strategy. The SRB is also in charge of the SRF, which is financed by the banking sector, to ensure the availability of financial support to the application of resolution tools. It is up to the SRB to set the MREL in order to ensure banks are resolvable and to design the preferred resolution strategy to be applied to each bank. See further "*The Single Resolution Mechanism*" below.

### *Banking Law*

The Banking Law, as subsequently amended, is the main legal framework regulating the activities of Portuguese banks and foreign banks established in Portugal, as well as certain other financial institutions.

The Banking Law harmonised Portuguese legislation with EC directives by replacing older rules and establishing a comprehensive regulatory framework. The main areas regulated by the Banking Law are: the authorisation required for establishing credit institutions in Portugal; the assessment of the suitability of qualifying shareholders; the assessment of the suitability and professional qualifications of the members of the management and auditing boards; the activities of Portuguese financial institutions in foreign countries; the operations of foreign financial institutions in Portugal; registration with Banco de Portugal; ethical rules and conflicts of interest; prudential and supervisory norms; own funds reserves requirements; corrective intervention, provisional management and resolution measures; the protection of customers and winding up of banks and the Deposit Guarantee Fund; the Investors Reimbursement System; investment activities and services, investment companies and management companies of investment funds, as well as the sanctions regime.

The gradual equalisation of the operating conditions of credit institutions based in Portugal with those prevailing in European countries, the adoption of EU Directives in Portugal with particular emphasis on matters such as the Deposit Guarantee Fund, customer information requirements, freedom of establishment, the regulation of the provision of services in the insurance sector and the definition of the regulatory framework of financial companies led to the introduction of several changes to the regulations governing the Portuguese financial system.

To ensure greater uniformity and the transparency of the information provided by credit institutions regarding interest rates and loan costs, the disclosure of nominal and effective interest rates has been mandatory since 1994. Additional information must also be provided in credit agreements. Since 2007, certain rules concerning the early repayment commissions and the rounding of interest rates applicable to certain loans have also been in force.

With respect to the supervision of financial institutions, Banco de Portugal implemented rules dealing with internal control systems (Notice no. 5/2008 as amended by Notice no. 9/2012, which was amended by Notice no. 2/2014), which established minimum requirements in a variety of areas (including organisation, supervision, management information, credit, financial control and information technology). Decree-Law no. 157/2014, of 24 October (which amended the Banking Law) introduced special rules relating to the risk treatment by credit institutions, enhancing the importance of taking into account multiple risks, such as credit and counter-party risk, residual risk, concentration risk, securitisation risk, market risk, interest rate risk, operational risk, liquidity risk and excessive leverage risk.

Regarding large risks limits, the CRR sets out that an institution shall not incur an exposure to a client or group of connected clients, whose value exceeds 25% of the institution's eligible capital (or EUR 150 million, whichever is higher, when the counterparty is an institution). However, Notice no. 9/2014 of Banco de Portugal sets forth some exclusions to these limits. For example, intra-group risks, whenever the counterparty belongs to the consolidation perimeter of the credit institution, are excluded.

On 24 October 2014, Decree-Law 157/2014 introduced several amendments to the Banking Law. The main amendment was the adjustment (reduction) of the entities comprised in the concept of "credit institutions", changes in the corporate governance framework (mainly in relation to management and supervisory boards), risk management policies and revision of the sanctions regime.

On 26 March 2015, Law no. 23-A/2015 transposed into Portuguese law Directive 2014/49/EU (regarding deposit guarantee systems), which amended the Banking Law. This deals primarily with corrective measures, provisional management and resolution measures applicable to credit institutions.

Notice no. 5/2013 of Banco de Portugal entered into force on 16 February 2014, was amended by Notice no. 1/2014, and sets forth certain duties of banking entities and other entities, including duties of supervision, identification, special duties of care, diligence, control among others in connection with prevention of money laundering and terrorism financing (regulating Law no. 25/2008, of 5 June, as amended).

Notice no. 1/2016 of Banco de Portugal entered into force on March 2016 and implemented specific rules and procedures regarding the risk of exposure of credit institutions to the real estate market. For example, credit institutions are obliged to inform Banco de Portugal of their level of direct and indirect exposure to the risk associated with the real estate market concerning its activity in Portugal and abroad and may request the prorogation of the two year deadline for termination of such exposure, as defined in article 114 of the Banking Law.

#### *The Portuguese Securities Market Commission*

The CMVM is an independent public institution with administrative and financial autonomy, charged with supervising and regulating the securities and other financial instruments markets, as well as the activities of all market participants, including financial intermediaries and securities issuers.

The CMVM monitors the actions of individuals and entities operating in the capital markets in order to (i) detect unlawful acts, particularly in stock market trading; (ii) monitor regulatory compliance; (iii) detect criminal offences; (iv) punish infringers, namely through fines; (v) approve the registration of individuals and operations to check their compliance with applicable rules; and (vi) verify information disclosure, particularly that of listed companies, through its website. The CMVM also approves regulations and issues recommendations, including in respect of the corporate governance of listed companies.

The Portuguese Securities Code (*Código dos Valores Mobiliários*), approved by Decree Law no. 486/99, of 13 November 1999, as subsequently amended, is the main legal framework regulating the activities of financial intermediaries, as well as the securities and other financial instruments markets. It complies with the principles set forth in EU law, including Directive 2004/25/EC (on takeover bids) and MiFID.

#### *European regulatory standards*

Portugal became a member of the EU on 1 January 1986. Membership in the EU means that Portugal must comply with legislation that may either be in the form of regulations that are directly enforceable in any Member State, or in the form of directives addressed to the Member States that require the enactment of implementing legislation, but which in some instances, as determined by the EU Court of Justice, may be directly enforceable in a Member State. In addition, the EC and the Council issue non-binding recommendations to Member States. Portuguese authorities have introduced several EU directives and recommendations into legislation to adapt Portuguese law to European regulatory standards. The Parliament, the Government and

Banco de Portugal have also adopted EU directives relating to capital and solvency ratios, the control of risk exposure, investment limits and other aspects relating to the creation and activities of credit institutions. In addition, a Deposit Guarantee Fund and an Investors Reimbursement System, as well as a national Resolution Fund have been established.

On 16 September 2009, the European Parliament and the Council adopted the Capital Requirements Directive II requiring multiple substantive changes in the Member States. Implementation of the Capital Requirements Directive II ("**CRD II**") occurred on 31 December 2012. The most important measures were:

- technical changes to capital requirements for the trading book, including credit risk mitigation (CRM) for counterparty credit risk;
- rules and regulations to strengthen the co-operation between supervisors in crisis situation and to strengthen the powers of (host) supervisors to collect information about systemically relevant branches of supervised financial institutions;
- improving the quality of firms' capital by establishing clear EU-wide criteria for assessing the eligibility of hybrid capital to be counted as part of a firm's overall capital. The proposals specify the features that hybrid capital must have regarding permanence, flexibility of payments and loss absorbency to be eligible as Tier 1 capital;
- enhancing the management of large exposures by restricting a firm's lending beyond a certain limit to any one party;
- further elaboration of the rules on liquidity risk management; and
- improving the risk management of securitisation, including a requirement to ensure that a firm does not invest in a securitisation unless the originator retains an economic interest.

The Capital Requirements Directive III ("**CRD III**") amended Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009, amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC. It introduced a number of changes in response to the recent and current market conditions, including:

- strengthening the capital requirements for the trading book to ensure that a firm's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- limiting investment in re-securitisations and imposing higher capital requirements for re-securitisations to make sure that firms take proper account of the risks of investing in such complex financial products; and
- upgrading disclosure standards to increase market confidence.

CRD IV supplemented the two sets of revisions adopted or proposed (CRD II and CRD III), introducing stricter requirements on capital and new regulations on liquidity, thus increasing limitations and costs to banking activity. CRD IV is the legal framework for the supervision of credit institutions, investment firms and their parent companies in all member states of the EU and the EEA, and is the basis of the Single Supervisory Framework. The CRD is published under reference number 2013/36/EU on 26 June 2013 in the Official Journal of the European Union and is in force as at 16 July 2013, while the supervised entities within its scope are subject to it as at 1 January 2014.

The other element of the CRD IV is the CRR. The CRR corresponds to Regulation (EU) no. 575/2013, also published on 26 June 2013 in the Official Journal of the EU, as amended by Commission Delegated Regulation

(EU) 2015/62, of 10 October 2014 and by Regulation (EU) 2016/1014 of the European Parliament and of the Council, of 8 June 2016. It establishes prudential requirements for credit institutions and investment firms and amends Regulation (EU) no. 648/2012. The CRR sets forth uniform rules concerning general prudential requirements that institutions supervised under Directive 2013/36/EU shall comply with, in relation to the following items:

- own funds requirements relating to entirely quantifiable, uniform and standardised elements of credit risk, market risk, operational risk and settlement risk;
- requirements limiting large exposures;
- liquidity requirements relating to entirely quantifiable, uniform and standardised elements of liquidity risk;
- reporting requirements related to own funds requirements, requirements limiting large exposures, liquidity requirements and to leverage; and
- public disclosure requirements.

Within the same scope, the Directive 2013/36/EU of the European Parliament and of the Council, effective as of 17 July 2013, was transposed into Portuguese law by Decree Law 157/2014, of 24 October, which amended the Banking Law. The amendments introduced are related to:

- access to the activity of credit institutions and investment firms;
- supervisory powers and tools for the prudential supervision of institutions by competent authorities;
- the prudential supervision of institutions by competent authorities in a manner that is consistent with the rules set out in Regulation (EU) no. 575/2013; and
- publication requirements for competent authorities in the field of prudential regulation and supervision of institutions.

Furthermore, the CRD IV/CRR framework contains stricter requirements regarding the quality of the capital that may be considered CET 1 capital and the calculation of risk weighted assets. The main impact of CRD IV/CRR on consolidated capital ratios is related to DTAs, shortfall of provisions to expected losses, the pension fund corridor, minority holdings in consolidated subsidiaries, significant holdings in non-consolidated financial institutions and increased capital requirements for market and counterparty risks.

In May 2014, Banco de Portugal issued a series of recommendations with respect to banks' capital plans, in order to ensure an adequate transition to the full implementation of CRD IV/CRR and prepare major Portuguese banks for the ECB's comprehensive assessment exercise of the banking system. In particular, it recommended the reinforcement and maintenance of the following minimum thresholds for the various regulatory ratios:

- Minimum CET 1 ratio of 8% for the eight major banking groups, including the Bank (7% for the other groups);
- Minimum Tier 1 ratio of 9.5% for the eight major banking groups, including the Bank (8.5% for the other groups);
- Minimum total solvency ratio of 11.5% for the eight major banking groups, including the Bank (10.5% for the other groups).



CRD IV empowers the European Banking Authority to draw up regulatory technical standards that specify some of the aspects covered by the diplomas. Upon the respective adoption by the EC these norms are directly applicable under Portuguese law. Decree-Law No. 157/2014 establishes several communication obligations to the European Banking Authority by Banco de Portugal, as well as the need for consultation of its data base.

As at 30 September 2016, the Bank's fully implemented CET 1 was 9.5%. According to the Bank's interpretation of CRD IV/CRR to date, CET 1 phased-in reached 12.2% as at 30 September 2016.

New upcoming recommendations by the BCBS focus on RWA calculations, which include a modification on credit, market and operational risk categories as well as additional risks, such as the step-in risk.

Credit Risk: the "Internal Based Risk Approach" proposal aims at reducing the complexity of the regulatory framework, improving comparability between banks and reducing the variability in capital requirements for credit risk, as amendments to risk parameters estimation and introduction of floors. The regulations also foresee changes on the standardised approach, but not limited to, in order to introduce some risk sensitivity to this approach, such as the loan to value ("**LTV**") concept and the introduction of real estate classes.

Market risk: a redefinition of trading and banking book portfolios and changes on the standardised approach and the "Internal Modal Method".

Operational risk: recommendations include the abolition of Advanced Measurement Approach (AMA) due to its complexity and lack of comparability and the introduction of a new Standardised Measurement Approach (SMA).

The majority (but not all) of the provisions of the CRD IV package, which includes CRD IV and the CRR, entered into force on 1 January 2014.

Full implementation of CRD IV/CRR is expected to occur by the beginning of 2018, with the exception of DTAs already recorded on balance sheet on January 2014, the subordinated debt and all the hybrid instruments not eligible to own funds, for which the transition period extends until the end of 2023 and 2021, respectively.

### *European System of Central Banks*

The primary objective of the European System of Central Banks ("**ESCB**") and of the ECB is to maintain price stability. By assigning the primary responsibility for price stability to an independent bank, the treaty that constitutes the European community recognised that focusing monetary policy on the maintenance of price stability in the Eurozone ensures that it will make the best possible contribution to the broader economic objectives of the EU. Without prejudicing the primary objective of price stability, the ESCB may support the general economic policies of the EU, acting in accordance with the principle of an open market economy with free competition favouring an efficient allocation of resources.

### *Monetary policy instruments*

In order to achieve its objectives, the Eurosystem has at its disposal a set of monetary policy instruments. The Eurosystem conducts open market operations, offers standing facilities and requires credit institutions to hold minimum reserves on accounts with the Eurosystem.

The most important instrument for open market transactions are reverse transactions, which are applicable on the basis of repurchase agreements or collateralised loans. Assets that are pledged to the Eurosystem as security for its central bank credit operations are called "eligible assets" or "collateral". To be accepted, these assets must be eligible (e.g., by having an investment grade rating). As a result of the EU financial crisis, a temporary waiver has been granted for Greek sovereign debt, which is rated as eligible regardless of its rating.

The list of eligible assets for the Eurosystem's credit operations has been available to the public since October 1998, and the list of counterparties eligible for the monetary policy operations of the Eurosystem has been established on the basis of common eligibility criteria, which includes all those institutions that are subject to minimum reserve requirements. These institutions are, in principle, eligible to access open market operations based on standard tender procedures and the standing facilities.

### *Minimum reserves*

The ECB requires credit institutions established in Member States to hold minimum reserves. The minimum reserve system applied by the ECB is primarily intended to fulfil the following two monetary policy functions: the stabilisation of money market interest rates and the enlargement of a structural liquidity reserve within the banking system.

The reserve system functions as follows:

1. The reserve requirement applies to all credit institutions which are established in the Eurozone.
2. The reserve requirement of each individual credit institution is calculated by applying a reserve ratio set by the ECB, to its liabilities in the form of overnight deposits, deposits with an agreed maturity, debt securities issued and money market paper; liabilities *vis-à-vis* institutions subject to the Eurozone's minimum reserve system and liabilities *vis-à-vis* the Eurosystem not subject to reserve requirements.
3. A credit institution complies with its obligations under the minimum reserve system if its average daily reserve holdings in the reserve account at its national central bank for the maintenance period set by the ECB is at least equal to its reserve requirement.
4. The required reserve holdings are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the Eurosystem ("repo rate").
5. A credit institution may apply to the central bank of the Member State in which it is resident for permission to hold all its minimum reserves indirectly, through an intermediary.

The reserve ratio was 2% until January 2012. Since then, the ratio has been lowered to 1%.

Where an institution fails to comply with all or part of the reserve requirements, the ECB may impose sanctions based on the amount of the shortfall.

The legal framework for this system is laid down in Council Regulation (EC) No 2531/98 of 23 November 1998 concerning the application of minimum reserves by the European Central Bank and Regulation (EC) No 1745/2003 of the European Central Bank on the application of minimum reserves.

### *Open market operations*

Open market operations are the main instrument used by the Eurosystem to steer interest rates, manage the liquidity situation in the market and signal the direction of its monetary policy. The majority of the Eurosystem's open market operations consist of repurchase agreements against eligible collateral. The two main types of open market operations are the main refinancing operations ("**MROs**"), which have a frequency and maturity of one week, and TLTROs, which have a monthly frequency and maturity of three months. Longer-term refinancing operations that are conducted at irregular intervals or with other maturities (e.g. the length of one maintenance period of six months, twelve months or thirty-six months) are also possible. In addition, the Eurosystem may conduct fine-tuning open market operations through reverse transactions, outright purchases and sales of assets, and the collection of deposits or foreign exchange swaps, as well as structural operations through the issuance of debt certificates, reverse transactions and outright transactions. While MROs and TLTROs are conducted through standard tenders, fine-tuning operations can be performed either through quick tenders or through

bilateral procedures involving a limited set of counterparties. However, outright operations can be carried out only through bilateral transactions.

Furthermore, in pursuing its price stability mandate, the ECB Governing Council has decided measures to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy. In particular, the ECB Governing Council has decided to conduct a series of TLTROs aimed at improving bank lending to the Eurozone non-financial private sector, excluding loans to households for house purchase, over a window of two years.

#### *Standing facilities*

With regard to standing facilities, counterparties can use the marginal lending facility to obtain overnight liquidity against eligible assets and the deposit facility to make overnight deposits with the Eurosystem. Those standing facilities are available to eligible counterparties at their own initiative and without any restrictions. Under normal circumstances, the interest rates on the standing facilities form a corridor for the overnight market interest rate, with the marginal lending rate providing the ceiling and the deposit rate providing the floor.

#### *Eligible assets for credit operations*

The Eurosystem accepts a wide range of underlying assets for its credit operations. A distinction is made between two categories of eligible assets: marketable assets and non-marketable assets. The former consists of marketable debt instruments, which fulfil the uniform, area-wide eligibility criteria established by the ECB, while the latter comprises other marketable and non-marketable financial assets, which take into account the differences between the national financial and banking systems and for which eligibility criteria have been established by the national central banks, subject to the minimum eligibility criteria defined by the ECB. Non-marketable assets are not used by the Eurosystem for definitive transactions and comprise two specific types of assets: credit rights and non-marketable debt securities collateralised by private individual housing loans.

Since the onset of the financial crisis, the ECB Governing Council has adopted a series of non-conventional monetary policy measures to facilitate the regular funding of the banking system in the

Eurozone and eliminate the risk of a systemic liquidity crisis in the Eurozone, namely two long-term (three-year) refinancing operations at a fixed-rate with full allotment, in addition to the widening of the set of assets eligible as collateral for monetary policy operations. At its meeting of 8 December 2011, the ECB Governing Council decided that domestic central banks may accept additional bank loans, complying with specific eligibility criteria, as collateral for Eurosystem credit operations. At its meeting of 9 February 2012, the ECB Governing Council authorised the set of temporary measures proposed by Banco de Portugal, designed to broaden the range of bank loans accepted as collateral for Eurosystem lending operations. On September 2012, the ECB Governing Council announced the technical features regarding Eurosystem's outright transactions in secondary sovereign bond markets that aim to safeguard an appropriate monetary policy transmission and the singleness of the monetary policy, known as Outright Monetary Transactions (OMTs).

#### *Emergency Liquidity Assistance*

Eurozone credit institutions can also receive central bank credit exceptionally through emergency liquidity assistance ("ELA"), by means of provision of central bank money by a Eurosystem national central bank and/or any other assistance that may lead to an increase in central bank money to a solvent financial institution, or group of solvent financial institutions, facing temporary liquidity problems. Though the responsibility for the provision of ELA lies with the national central bank concerned, the ECB Governing Council can restrict ELA operations if it considers they interfere with the objectives and tasks of the Eurosystem.

## *Banking Union*

At the Eurozone summit on 29 June 2012, the heads of Member States and governments called on the EC to present proposals regarding the stabilisation of the financial sector and to reverse the process of financial fragmentation. In September 2012, the EC issued Communication "A Roadmap towards a Banking Union" as part of a longer-term vision for economic and fiscal integration. The Banking Union aims to build an integrated financial framework to safeguard financial stability and minimise the costs of bank failures. The first step towards the establishment of the Banking Union was the creation of the Single Supervisory Mechanism on November 2014, which assigns the role of direct banking supervisor to the ECB in order to ensure that the largest banks in Europe are independently supervised under common rules, followed by SRM, which is responsible for planning for the worst-case scenario, namely the failure of a bank, to ensure that the situation can be resolved in an orderly manner. Furthermore, the underlying resolution rules were changed through the provisions of the BRRD, according to which resolutions shall mainly be financed by banks' shareholders and creditors. Where necessary, financing can also be provided, on a complementary basis, by the newly established SRF, which is financed by the European banking industry. The SRF is only expected to reach its target funding level in 2023. Members of the Eurozone are automatically part of the Banking Union, while other Member States may opt in.

On 24 November 2015, the EC presented a legislative proposal that aims to add another element to the Banking Union, namely the European Deposit Insurance Scheme ("**EDIS**"), which is to be built on the basis of existing national DGSs.

The Banking Union is based on a comprehensive and detailed single rulebook for financial services. The EBA has the competence to further develop this single rulebook and monitor its implementation.

### *The Single Supervisory Mechanism*

Council Regulation (EU) No.1024/2013, of 15 October 2013, assigns specific tasks to the ECB concerning policies relating to the prudential supervision of credit institutions. According to the regulation, the SSM is intended to ensure that the EU policy relating to the prudential supervision of credit institutions is implemented in a coherent and effective manner, that the single rulebook for financial services is applied in the same manner to credit institutions in all Member States concerned and that those credit institutions are subject to supervision of the highest quality, unfettered by other non-prudential considerations.

The SSM created a new system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. Among these EU countries are those whose currency is the euro and those whose currency is not the euro but who have decided to enter into close cooperation with the SSM. Specific tasks relating to the prudential supervision of credit institutions are assigned to the ECB.

In November 2014, the ECB assumed its new banking supervision responsibilities, under which it directly supervises significant credit institutions. Credit institutions are considered significant based on the total value of their assets, their importance for the economy of the country in which they are located or the EU as a whole, the significance of their cross-border activities, and whether they have requested or received public financial assistance from the ESM or the European Financial Stability Facility (EFSF). In each participating country, at least the three most significant credit institutions are subject to direct supervision by the ECB, irrespective of their absolute size.

The SSM is also responsible for regularly assessing and measure the risks for each bank and consequently the capital and liquidity adequacy of credit institutions through the SREP.

- (i) The conclusions of the supervisory review can take the form of prudential requirements, which may also include qualitative measures (Pillar 2 capital requirements—P2R) and recommendations through the establishment of a Pillar 2 capital guidance which the banks should comply with.

- (ii) The prudential requirements require banks to maintain a total SREP capital requirement ("**TSCR**") that includes CET 1 instruments and other capital instruments.
- (iii) Banks are also subject to the overall capital requirement that includes, in addition to the TSCR, additional capital buffers, namely "the combined buffer", comprised of the countercyclical capital buffer, capital conservation buffer and systemic buffer, as described above.
- (iv) The P2G is to be made up entirely of CET 1 capital. Failure to comply with the P20 is not itself a breach of own funds requirements.
- (v) The P2G is not MDA relevant. The MDA is the maximum amount a bank is allowed to pay out, for example for bonuses or dividends. A bank whose capital ratio falls below the MDA trigger point faces restrictions on the amount of distributable profits.

The SSM will work in close cooperation with, and will give instructions to, the national authorities of Member States, including Banco de Portugal, which is the national resolution authority in Portugal. The national authorities of participating Member States are responsible for planning and adopting resolution plans in respect of those banks for which the SRB is not directly responsible.

#### *The Single Resolution Mechanism*

The BRRD constitutes the single scheme for the resolution of banks and large investment firms in all 28 Member States. It sets new binding rules in order to reduce the risk that resolution of bank defaults be made via public funding at the expense of taxpayers, primarily by introducing the principle of bail-in so that shareholders and creditors will first be called upon to contribute to the resolution scheme in case of a bank failure. See further "*The Capital Requirements Directive and the Bank Recovery and Resolution Directive*" and "*Framework for the recovery and resolution of credit institutions and investment firms*" below. The main objective of the SRM is to ensure that potential future bank failures in the Banking Union are managed efficiently, with minimal costs to taxpayers and the real economy. The Single Resolution Board is in charge of the application of a resolution tool to a bank, while operationally the decision will be implemented in cooperation with national resolution authorities. Common resolution financing arrangements are provided at the level of the SRF.

The SRM implements the BRRD in the Eurozone by applying the substantive rules of the BRRD in a coherent and centralised way in order to ensure that, if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to tax payers, through the implementation of a single resolution process and support of the SRF if applicable. The SRM regulation has been applicable, together with the bail-in tool under the BRRD, since January 2016, except for some provisions which have been applicable since January 2015.

The main decision-making body of the SRM is the Single Resolution Board ("**SRB**") which is responsible for:

- the planning and resolution phases of the Banking Union's cross-border and large banks, which are directly supervised by the ECB; all resolution cases that require recourse to the SRF, irrespective of the size of the bank; and
- all banks in the Banking Union.

The SRF is financed through ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF:

- take into account the annual target level of the SRF set by the SRB as well as the size and the risk profile of institutions;

- are collected by national resolution authorities and transferred to the SRF by 30 June of every year (in accordance with Article 67(4) of the SRM Regulation and in accordance with the intergovernmental agreement on the transfer and mutualisation of contributions to the SRF ("**Intergovernmental Agreement**"));
- are calculated by the methodology as set out in the Commission Delegated Regulation (EU) 2015/63, of 21 October 2015 and the SRM Regulation; and
- are calculated on the basis of the amount of liabilities deducted from the liability elements that belong to Tier 1 and additional own funds and the deposits covered by the Deposit Guarantee Scheme and subject to an adjustment in accordance with the risk profile of the participating institution, considering its solvability situation.

In 2015, following the establishment of the SRF, the Group made an initial EUR 31.4 million contribution. In accordance with the Intergovernmental Agreement, this amount was not transferred to the SRF but was used instead to partially cover the disbursements made by the Resolution Fund for resolution measures applied prior to the date of application of this Intergovernmental Agreement. Consequently, an equivalent amount will have to be transferred over a period of 8 years (starting in 2016) through periodic contributions to the SRF. During the first semester of 2016, the Group made a periodic EUR 21 million contribution to the SRE.

In accordance to Regulation (EU) No 806/2014 of the European Parliament and of the Council, the use of the Single Resolution Fund ("**SRF**") shall be contingent upon the entry into force of an agreement among the participating Member States on transferring the funds raised at national level towards the SRF as well as on a progressive merger of the different funds raised at national level to be allocated to national compartments of the SRF. This Regulation is applicable from 1 January 2016. As such, the SRF does not cover ongoing situations with the Resolution Fund as at 31 December 2015.

#### *The Portuguese Resolution Fund*

A resolution fund, whose primary purpose has been to provide financial support for the implementation of resolution measures determined by Banco de Portugal, was created in Portugal (the "**Resolution Fund**"). The Resolution Fund foresees the participation of:

- (i) credit institutions with a head office in Portugal, including the Bank;
- (ii) branches of credit institutions in states that do not belong to the EU;
- (iii) relevant companies for the management of payment systems subject to supervision of Banco de Portugal; and
- (iv) certain types of investment companies.

Pursuant to Banco de Portugal's Instruction No. 19/2015, of 29 December 2015, in 2016 Portuguese banks paid contributions to the Resolution Fund at a 0.02% base rate, which represents an increase from the previous rate of 0.015%. Pursuant to the Banco de Portugal's Instruction No. 21/2016, of 26 December 2016, in 2017 Portuguese banks will pay contributions to the Resolution Fund at a 0.0291% base rate, which represents an increase from the 0.02% rate applied in 2016.

Increases in the base rate in future years may reduce the Bank's profitability. The contribution of the Bank to the Resolution Fund was EUR 6.4 million in 2015 and EUR 5.7 million in 2016. The ex-ante contributions for the Resolution Fund are calculated in the same way as the abovementioned SRF contributions are calculated.

According to Article 14(5) of Law No. 23-A/2015, of 26 March 2015, and without prejudice to the ex-ante and ex-post contributions regulated by the new regime, further ex-ante and ex-post contributions can be charged for

the Resolution Fund in accordance with the regime of Decree-Law No. 24/2013, of 19 February 2013, if these contributions are intended to enable the compliance with the obligations undertaken or to be undertaken by the Resolution Fund by virtue of having financially supported resolution measures until 31 December 2014.

### *European Deposit Insurance Scheme*

On 24 November 2015, the EC presented a legislative proposal for the EDIS to be built on the basis of existing national DOS, in three successive stages: a reinsurance scheme for participating national DGSs in a first period of three years, a co-insurance scheme for participating national DGSs in a second period of four years, and full insurance for participating national DGSs in the steady state.

The Single Resolution Board, which would be expanded to administer EDIS, would monitor national DGSs and release funds only where clearly defined conditions are met. Features of the EDIS proposal, such as an impact assessment on EDIS from the EC as well as concrete steps in the area of risk reduction, still need further development.

## **Framework of the regulatory requirements**

### History and overview

Portuguese banks are subject to solvency ratio requirements. These requirements conform to the EC directives establishing common standards for the measurement of capital and a system for weighting assets according to credit risk with the requirement that, since 31 December 1992, all credit institutions have to maintain capital of at least 8% of RWAs.

Within the scope of Council Directive no. 89/299/CEE of 17 April 1989, the Ministry of Finance issued Notice no. 9/90 defining own funds of financial institutions. This notice was replaced by Notice no. 12/92 of the Ministry of State and Finance and the latter was replaced by Notice no. 6/2010 of Banco de Portugal, which was subsequently amended by Notices no. 7/2011, 2/2012 and 3/2013.

On 15 November 1990, the Ministry of Finance issued Notice no. 12/90, defining the calculation of capital requirements for credit risk and creating the solvency ratio, which should reach at least 4% by 31 December 1990, 6% by 31 December 1991 and 8% by 31 December 1992. This notice was replaced by Notice no. 1/93 of the Ministry of State and Finance and the latter was replaced by Notice no. 5/2007 of Banco de Portugal, which was subsequently amended by Notices no. 14/2007, 8/2008, 1/2009, 8/2010, 2/2011, 6/2011, 9/2011, 8/2012, 2/2013 and 4/2013. Notice no. 5/2007 was revoked by Notice no. 5/2016, of 2 May, with effect from 30 June 2016 onwards, due to the fact that the capital requirements for risk credit and the solvency ratio requirements are now set forth by the CRR, which is directly applicable under Portuguese law since January 2014.

In November 1994, the Ministry of Finance issued Notice no. 10/94, establishing the large risk's framework. This notice was replaced by Notice no. 6/2007 of Banco de Portugal and the latter was replaced by Notice no. 7/2010. In December 1996, the Ministry of Finance issued Notices nos. 7/96 and 8/96, subsequently replaced by Notices no. 7/2007 and 8/2007 of Banco de Portugal, which were amended by Notices no. 8/2008, 8/2010 and 9/2011, which introduced measures relating to market-risk coverage (position, underwriting and settlement), the calculation of own funds required to cover market risks and alterations to the rules for the calculation of major risks linked to trading portfolios, in keeping with Council Directive 93/6/EEC of 15 March 1993 ("**Capital Adequacy Directive**"). The Capital Adequacy Directive established the conditions for protection against losses or capital losses on securities portfolios via total capital. It also covered other losses related to trading activities, currency operations and the provision of securities services, in addition to the portfolio position, risks of physical and financial settlement, exchange rates and major credit exposures. Notice no. 6/2007 was revoked by Notice no. 5/2016, of 2 May, with effect from 30 June 2016 onwards, due to the fact that the capital requirements for risk credit and the solvency ratio requirements are now set forth by the CRR.

The regulation of market risk is approached in a comprehensive manner, reflecting a desire to limit exposure to market risks in areas not covered by total capital, prior to the introduction of the Capital Adequacy Directive. The risk of maintaining short and long positions linked to changes in market conditions is quantified, using a methodology similar to the financial asset pricing model and to the asset and liability management model. Derivatives are broken down into the long and short positions of their major underlying assets, thus avoiding any distortions. To cover these risks, the Capital Adequacy Directive details the amount of capital required, allowing the use of financial instruments not authorised for other purposes (short-term subordinated debt included under Tier III Capital).

In April 2007, Banco de Portugal issued Notice no. 9/2007 (which was subsequently amended by Notices no. 8/2008 and 8/2010), which created the framework for the calculation of capital requirements to cover operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Notices nos. 4/2007 to 9/2007 and Notice no. 6/2010 were issued by Banco de Portugal following the Decree-Law no. 104/2007, of 03 April 2007, which implemented Directive 2006 48/EC of the European Parliament and of the Council of 14 June 2006 (the New Capital Adequacy Directive, commonly known as Basel II), into Portuguese legislation. It aligned regulatory capital requirements more closely with the underlying capital risks that banks face, promoting the use of internally developed models to identify, manage and measure their own risks. This directive also introduced requirements for operational risk. The use of internally developed models to measure risks was subject to authorisation by Banco de Portugal and involved a huge effort from both banks and Banco de Portugal to comply with all applicable requirements. Notice no. 6/2007 was revoked by Notice no. 7/2010. Notices no. 5/2007, 7/2007, 8/2007 and 9/2007 were revoked by Notice no. 5/2016, of 2 May, with effect from 30 June 2016 onwards, due to the fact that the capital requirements for risk credit and the solvency ratio requirements are now set forth by the CRR.

On 17 May 2011, Banco de Portugal's Notice no. 3/2011 was published. This Notice (which has already been amended by Notices no. 8/2011 and 4/2012) established the obligation for Portuguese banks to have a Core Tier 1 level of at least 9% by 31 December 2011, and of at least 10% by 31 December 2012, and thereafter.

In addition, on 8 December 2011, the EBA recommended the temporary strengthening of capital requirements in accordance with bank exposure to sovereign debt. This recommendation was endorsed by Banco de Portugal, which, in line with the guidelines issued by the EBA, established in Notice no. 5/2012 that these additional requirements should be complied with by 30 June 2012. On 22 July 2013, EBA issued a recommendation on the preservation of Core Tier 1 capital during the transition to the CRD/CRR framework. More recently, Banco de Portugal has established, under Notice no. 6/2013 and following EU Regulation 575/2013, that banks shall permanently ensure the maintenance of a Common Equity Tier 1 capital ratio level of at least 7% and a Tier 1 capital ratio level of 6% during the period from 1 January 2014 to 31 December 2014.

On 12 September 2010, the BCBS announced a new agreement on banking supervision, known as Basel III, which has amended most of the minimum requirements relating to capital and liquidity. This agreement has stricter capital requirements that will be applied over a transitional period in order to mitigate its impact on the international financial system. The minimum capital requirements for Common Equity Tier 1 capital will gradually increase from 3.5% of RWAs as of 1 January 2013 to 7% of RWAs by 2019, including the capital conservation buffer.

The total capital ratio will increase from 8% to 10.5% between 2016 and 2019, including the capital conservation buffer. Further changes include: (i) a progressive increase of the common equity ratio from 3.5% as of 1 January 2013 to 4.5% by 2015; (ii) a progressive increase in the Tier 1 ratio from 4% to 6% by 2015; (iii) an additional requirement of a capital conservation ratio of 2.5% on common equity, with phased implementation from 2016 to 2019, and restrictions on bank capacity to pay dividends or make other payments, to be defined, if the capital is below the common equity ratio and capital conservation ratio; (iv) a countercyclical capital buffer, which will stand between 0% and 2.5% of RWAs, with loss absorption properties, according to the credit cycle phase pursuant to its application by the national supervisory authorities; and (v) the leverage ratio will be tested for a non-adjusted ratio of 3% risk.



On 13 January 2011, the Basel Committee issued "Minimum requirements to ensure loss absorbency at the point of non-viability", which suggests some specific rules for internationally active banks. The rules require that all Additional Tier 1 and Tier 2 instruments issued by internationally active banks must include, with certain exceptions, a provision in their terms and conditions requiring that they should be written-off when particular circumstances occur. Since these rules were implemented in Portugal, the Bank is subject to them.

CRD IV and CRR aim at transposing into EU law the aforementioned "Basel III" agreement, which strengthens bank capital requirements, introduces a mandatory capital conservation buffer and a discretionary countercyclical buffer and foresees a framework for new regulatory requirements on liquidity and leverage, as well as additional capital surcharges for systemically important institutions and new rules for counterparty risk. The CRD IV package also makes changes to rules on corporate governance, including remuneration, and introduces standardised EU regulatory reporting, which are referred to as COREP and FINREP. These reporting requirements specify the information firms must report to supervisors in areas such as own funds, large exposures and financial information.

The new rules apply from 1 January 2014 and some of the new provisions will be phased in between 2014 to 2019. The CRD IV/CRR framework contains stricter requirements regarding the quality of the capital that may be considered CET 1 capital and the calculation of RWAs. Full implementation of CRD IV/CRR is expected to occur by the beginning of 2018, with the exception of DTAs already recorded on balance sheet on January 2014 and the subordinated debt and all the hybrid instruments not eligible to the own funds, for which the transition period extends until the end of 2023 and 2021, respectively. The main impacts of CRD IV/CRR on consolidated capital ratios are related to DTAs, shortfall of provisions to expected losses, the pension fund corridor, minority holdings in consolidated subsidiaries, significant holdings in non-consolidated financial institutions and the increased capital requirements for market and counterparty risks.

#### *Capital requirements*

*See also "Risk Factors—Legal and Regulatory Risks—The Banking Union may impose additional regulatory requirements that may condition the Bank's results, and relevant uncertainties remain regarding the definition and implementation of the European Deposit Insurance Scheme".*

This framework requires banks and investment firms to hold Common Equity Tier 1 capital to 4.5% of RWAs until December 2019. The total capital requirement, which includes additional Tier 1 and Tier 2 capital, remains unchanged at 8% of RWAs. The combined buffer, comprised of countercyclical capital buffer, capital conservation buffer and systemic buffer, were introduced by Decree-Law no. 157/2014, of 24 October, with effects from 1 January 2016 onwards.

Capital buffers: The criteria for maintenance by credit institutions' and certain investment companies' additional own funds include:

- (i) a capital conservation buffer;
- (ii) the institution's specific countercyclical capital buffer;
- (iii) the systemic risk buffer; and
- (iv) an O-SIT buffer (for other systemically important institutions at a national level).

The combined buffer requirement with which each institution is required to comply corresponds to the sum of the capital conservation buffer, the institution-specific countercyclical capital buffer, and the higher of the O-SII buffer and the systemic risk buffer (except where the latter only applies to risk exposures in the Member State which activated the measure, in which case it is additive).

These measures have the objective of safeguarding financial stability, by strengthening the resilience of the financial sector and preventing systemic risk. The set of instruments and intermediate objectives will be revised and adjusted by the competent authorities where necessary to better safeguard financial stability. In addition, other macroprudential policy instruments may be activated if deemed necessary. Failure to comply with these buffers implies restrictions on distributions relating to CET 1 own funds as well as an obligation to submit to the competent authorities a capital conservation plan within 5 business days of the breach.

Capital conservation buffer: the new regulatory framework provides that the capital conservation buffer, which aims to accommodate losses from a potential adverse scenario, can be gradually implemented from 1 January 2016 onwards. However, the national macroprudential authority may impose a shorter transitional period or even frontload the total buffer. The Bank has a requirement (at an individual and consolidated level) to maintain a minimum CET 1 capital buffer of 0.625% (of the total risk exposure amount) in 2016, 1.25% in 2017, 1.875% in 2018, and 2.5% in 2019, as provided in article 23 of Decree-Law no. 157/2014, of 24 October.

Countercyclical buffer: the countercyclical capital buffer is one of the main macroprudential instruments introduced by the new regulatory framework, aiming to improve the banking system's resilience to periods of excessive credit growth. The establishment of variable capital requirements over the cycle is expected to contribute to mitigating the usual pro-cyclicality of banks' credit policies. The following apply to this buffer:

- (i) the rate will be set between 0% and 2.5% of the total risk exposure amount;
- (ii) the rate is calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points; and
- (iii) in exceptional cases, the rate may be set at a level above 2.5%.

This rate shall be set between 0% and 2.5% of the total risk exposure amount, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points. In exceptional cases, the rate may be set at a level above 2.5%. The buffer rate for each institution, known as the "institution-specific countercyclical buffer rate", is a weighted average of the countercyclical buffer rates that apply in the countries where the credit exposures of that institution are located. This requirement is met with CET 1 capital. Under the SSM, the ECB can propose higher minimum requirements than the ones defined by the national authorities.

On 30 September 2016, in exercising its powers as the national macro-prudential authority, Banco de Portugal decided that the countercyclical buffer rate for credit exposures to the domestic private non-financial sector would remain at 0% of the total risk exposure amount. From 1 October 2016 onwards, this capital buffer will apply to all credit risk exposures, whose counterpart is the Portuguese private non-financial sector, of credit institutions and investment firms subject to the supervision of Banco de Portugal or the ECB (SSM), as applicable. This decision shall continue to be reviewed on a quarterly basis by Banco de Portugal.

Under the guidance of the SSM, the conclusions of the supervisory review take the form of prudential requirements being set (Pillar 2) to be held in excess of the minimum capital requirements (Pillar 1). Banks are required to maintain a total capital requirement that includes CET 1 instruments and other capital instruments and are also subject to the overall capital requirement that also includes the combined own funds buffer requirement.

Systemic risk buffer: In order to calculate the systemic risk buffer, Banco de Portugal categorises institutions as O-SII and as G-SII. Banco de Portugal can also impose a systemic risk buffer of CET 1 capital on an individual, subconsolidated or consolidated basis of at least 1% of the risk exposure to which such buffer is applicable, to prevent or reduce the long-term non-cyclic systemic or macroprudential risks that present a risk of disruption in the financial system and the Portuguese economy.

On 29 July 2016, Banco de Portugal decided to apply a two-year phase-in regime of the other O-SII buffer.

- (i) The timeline for the phase-in of the O-SII buffer is 50% as of 1 January 2018 and 100% as of 1 January 2019.
- (ii) These buffers shall consist of CET 1 capital on a consolidated basis and shall be applicable from 1 January 2018.
- (iii) The O-SII buffer rates range from 0.25% to 1% of the total risk exposure (maximum level of 2%).

In this context, the Group was identified as an O-SII and will have to maintain a buffer of CET 1 of 0.375% of the total risk exposure applicable from 1 January 2018 and 0.750% by 1 January 2019.

#### *Capital buffers*

CRD IV introduces additional requirements for a capital conservation buffer of CET 1 capital of 2.5% of total risk exposure, identical for all banks in the EU, and an institution-specific countercyclical capital buffer of up to 2.5%.

Member States have the ability to introduce a systemic risk buffer of additional CET 1 capital for the financial sector or one or more subsets of it, or buffers for systemically important institutions. Member States can apply systemic risk buffers of 1% to 3.5% for all exposures and up to 5% for domestic and third country exposures, without having to seek prior approval from the EC. They can impose even higher buffers with prior EC authorisation in the form of an implementing act.

The buffer requirements specific to systemic institutions will be mandatory for G-SIIs, but voluntary for O-SIIs (i.e., EU or domestic). Buffers will apply on a consolidated basis for G-SIIs and on an individual, subconsolidated or consolidated basis for O-SIIs. The O-SII buffer will be capped at 2%.

G-SIIs are assigned to one of five sub-categories, depending on their systemic importance. They are subject to progressive additional CET 1 capital requirements, ranging from 1% to 2.5% for the first four groups, while a buffer of 3.5% will apply to the highest sub-category.

The systemic risk buffer and buffers for G-SIIs and O-SIIs will generally not be cumulative; only the highest of the three buffers will apply. However, if the systemic risk buffer applies only to domestic exposures, it can be added to the buffer of systemically important financial institutions.

Banco de Portugal has published in its website, in accordance with Article 138 -Y of the Banking Law, that the buffer for O-SIIs, approved in June 2015, will correspond to 0.375% on 1 January 2018 and 0.750% on 1 January 2019, in the case of the Bank.

#### *Liquidity requirements*

Portuguese banks report their liquidity position monthly to Banco de Portugal, both on an individual and consolidated basis. According to Instruction no. 13/2009 issued by Banco de Portugal, factors that could potentially impact the short-term cash flow of banks (within one year) are eligible for calculation in their liquidity position.

Banco de Portugal rules require that the assets, liabilities and off-balance sheet elements of banks should be classified according to their degree of liquidity. This process involves, on the one hand, the allocation of these elements into four time groups in accordance with their residual term to maturity (at sight to 1 month, 1 to 3 months, 3 to 6 months and 6 to 12 months) and, on the other hand, some adjustments due to the application of weights and haircuts defined by Banco de Portugal on the accounting balances of some products, particularly those with no defined term and those that are historically subject to material levels of prepayment or are contingent.

The report required by Banco de Portugal highlights several liquidity indicators, including liquidity mismatches, both for each time group and on an accumulated basis.

Basel III recommendations also provide for the setting of short and long term liquidity ratios and funding, namely the LCR and the NSFR. The CRR introduced EU liquidity requirements after an initial observation period. The EBA has defined assets as 'extremely high' and of 'high' quality as well as put in place operational requirements for the holdings of liquid assets. The EBA recommends that all types of bonds issued or guaranteed by Member States' central governments issued in local currency by central banks as well as those issued or guaranteed by supranational institutions should be considered transferrable extremely high quality assets. It has also stated that the credit quality standards and eligibility of covered bonds, bonds, RMBS and bonds issued by local government entities should be considered highly liquid and credit quality assets. In addition, the EBA recommended that common equity shares should be considered high quality liquid assets.

LCR: Institutions are required to hold liquid assets, the total value of which would cover the net liquidity outflows that might be experienced under gravely stressed conditions over a period of 30 days. During times of stress, institutions would be allowed to use their liquid assets to cover their net liquidity outflows.

The LCR—unencumbered high quality assets against net cash outflows over a 30-day stress period—will be progressively implemented, with a progressive (10 percentage points per year) rate of application rising from 60% of the ratio in 2015 to reach 100% in 2019. The LCR requires that banks have sufficient high quality liquid assets ("**HQLA**") in their liquidity buffer to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30-day stressed period. The value of the ratio is to be no lower than 100% (the stock of HQLAs should at least equal total net cash outflows). In relation to the LCR, the EBA:

- (i) defined assets as 'extremely high' and of 'high' quality;
- (ii) put in place operational requirements for the holdings of liquid assets;
- (iii) recommends that all types of bonds issued or guaranteed by Member States' central governments issued in local currency by central banks as well as those issued or guaranteed by supranational institutions should be considered transferrable extremely high quality assets;
- (iv) has stated that the credit quality standards and eligibility of covered bonds, bonds, RMBS and bonds issued by local government entities should be considered highly liquid and credit quality assets; and
- (v) recommended that common equity shares should be considered high quality liquid assets.

The Bank's LCR calculated in accordance with the Delegated Regulation (EU) 2015/61 of the EC, of 10 October 2014, and the NSFR, estimated in accordance with Basel III methodology, that supported the ECB's Short Term Exercise report, were 135% and 113%, respectively, as at 30 September 2016, higher than the reference value of 100% (fully implemented).

NSFR: The NSFR, which is expected to become a minimum standard by 1 January 2018, is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The ratio aims at ensuring that the funding of illiquid assets is made through stable sources, both in normal as well as adverse conditions. On 15 December 2015, the EBA, mandated by the CRR, established the methodologies for determining the amounts of stable funding that are required, as well as uniform definitions for the calculation of the NSFR.

### *Additional Liquidity Monitoring Metrics ("ALMM")*

The CRR also provides, in Article 415(3)(b), that the EBA shall develop specific additional liquidity monitoring metrics, essential to allow competent authorities to obtain a comprehensive view of an institution's liquidity risk profile, proportionate to the nature, scale and complexity of its activities.

In this context, the EBA proposed metrics to cover this requirement on a monthly basis, including the following framework:

**Maturity ladder:** These maturity mismatches indicate how much liquidity a bank would potentially need to raise in various time bands if all outflows occurred at the earliest possible date. This metric provides an insight into the extent to which the bank relies on maturity transformation under its current contracts.

**Concentration of funding by counterparty:** This allows the identification of those sources of wholesale and retail funding of such significance that their withdrawal could trigger liquidity problems. It is proposed that institutions report the top 10 largest counterparties from which funding obtained exceeds a threshold of 1% of total liabilities, together with information on the counterparty name, counterparty type and location, product type, currency, amount received, weighted average and residual maturity.

**Concentration of funding by product type:** This seeks to collect information about the institution's concentration of funding by product type, broken down into different funding types relating to retail and wholesale funding. It is proposed that institutions report the total amount of funding received from each product category when it exceeds a threshold of 1% of total liabilities.

**Concentration of counterbalancing capacity by issuer/counterparty:** This seeks to collect information about the reporting institutions' concentration of counterbalancing capacity by the 10 largest holdings of assets or liquidity lines granted to the institution for this purpose.

**Prices for various lengths of funding:** This seeks to collect information about the average transaction volume and prices paid by institutions for funding with different maturities ranging from overnight to 10 years.

**Rollover of funding:** This seeks to collect information about the volume of funds maturing and new funding obtained, i.e., 'rollover of funding', on a daily basis over a monthly time horizon.

### *Liquidity Risk Monitoring Tool*

The reporting activity concerning liquidity is supplemented by a weekly account of the liquidity position of the Bank ("Liquidity Risk Monitoring Tool"), involving the projection of the inflows and outflows of the main aggregates of the balance sheet in a six-month horizon, including the base scenario and two stress scenarios, with the computation of associated survival periods, among other outputs. On an ad hoc basis the ECB also requires the generation of reports addressing specific scenarios (i.e., rating downgrades).

### *Leverage ratio*

The Banking Union's regulatory framework also includes a leverage ratio, whose final calibration is envisaged for 2017 and may become a compulsory regulatory requirement in 2018. The leverage ratio is calculated by dividing the Bank's Tier 1 capital by its average total consolidated assets and expressed as a percentage. The minimum requirement is expected to be set at 3%. Stricter requirements may be demanded only from G-SIIs. A G-SII could face additional requirements, although it is currently not anticipated that Portuguese banks may be classified as G-SIIs. The leverage ratio was 6.2% phased-in and 4.8% fully implemented, as at 30 September 2016.

### *Bankers' bonuses*

Bonuses are capped at a ratio of 1:1 fixed to variable remuneration (no greater than equal to fixed salary). This ratio can be raised to a maximum of 2:1, if a quorum of shareholders representing 50% of shares participates in the vote and a 2/3 majority supports the measure. If the quorum cannot be reached, the measure can also be approved if it is supported by 75% of shareholders present or represented. The variable remuneration is subject to other limitations such as: a) mandatory deferral of a substantial part of the payment of such remuneration for a period of three to five years (at least 40% or 60% when the value of such remuneration is considerably high); b) at least 50% of the variable remuneration must consist of a reasonable balance between shares or equivalent securities of the credit institution (or in case the credit institution has no shares admitted to public trading on a regulated market, securities indexed to the shares) and instruments referred to in articles 52 or 53 of the CRR; c) payment of the variable remuneration is subject to the credit institution's financial condition and its performance; d) the total amount corresponding to the variable remuneration is subject to clawback and malus mechanisms.

### *Governance and transparency*

Since 1 January 2014, institutions are required to make public the number of employees per institution in group and net banking income. At the same time, all European G-SIIs and O-SIIs have to report to the EC on profits made, taxes paid and subsidies received. Since 2015, banks have to publicly disclose the data unless the EC, by delegated act, either delays or amends the relevant provisions.

The Accounting Directive sets specific additional disclosures for large undertakings and public interest entities, comprising, among others: additional detail on fixed asset items; amount of emoluments to the members of administrative, managerial and supervisory bodies, the average number of employees during the financial year, deferred tax balances, net turnover, total fees charged by statutory auditor. The "Accounting Directive" was transposed to national law by Decree-Law n.º 98/2015 of 2 of June 2015.

### *Stress tests*

The EBA performed a 2016 EU-wide stress test, in coordination with the ECB. The EBA was responsible for running the exercise for the major banks in the Eurozone while the ECB conducted a parallel stress test for the additional significant banks, including the Bank.

This stress test was designed to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to economic shocks. The test involved a significant sample of banks in the EU; outcomes were disclosed for 51 banks, of which 37 are directly supervised by the ECB, covering 70% of banking assets in the Eurozone. No minimum capital was set, but the outcome of the stress test was taken as an input for the 2016 SREP, in particular regarding the establishment of the Pillar 2 Guidance.

Regarding the Portuguese banks, the adverse scenario consisted of an economic recession, together with deflation, increase in unemployment, increase in public debt yields and a massive real estate devaluation. The assumptions for the adverse scenario were:

	Eurozone			Portugal		
	2016	2017	2018	2016	2017	2018
GDP growth	-1.0%	-1.3%	0.6%	-2.1%	-2.6%	-0.6%
HICP* inflation .....	-0.9%	-0.1%	0.1%	-1.3%	-1.9%	-1.0%
Unemployment rates .....	11.0%	11.7%	12.4%	12.4%	13.3%	15.2%
Residential property prices .....	-7.3%	-2.3%	0.1%	-7.3%	-3.4%	-1.2%
Prime commercial property prices .....	-4.5%	-5.7%	- 1.5%	-4.9%	-5.9%	-2.0%
Public debt long term yields .....	2.1%	2.4%	2.3%	3.8%	3.9%	3.8%

BCP's CET 1 phased-in ratio stood at 7.2% under the adverse scenario (2.99% in the stress test of 2014). The minimum 5.5% CET 1 ratio (phased-in) required in 2014 was kept as a reference in the adverse scenario.

### *Control of risk exposure*

The CRR establishes that an institution shall not incur an exposure to a client or group of connected clients when the value exceeds 25% of its eligible capital. However, Notice no. 9/2014 of Banco de Portugal sets forth some exclusions to these limits. For example, intra-group risks, whenever the counterparty is comprised in the consolidation perimeter of the credit institution, are excluded.

Where such client is an institution or where a group of connected clients includes one or more institutions, such risk exposure shall not exceed 25% of the bank's own funds or EUR 150 million, whichever is higher.

Where the risk exposure of EUR 150 million is higher than 25% of the credit institution's own funds, the value of the exposure, after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403 of the CRR, shall not exceed a reasonable limit in terms of the credit institution's eligible capital. That limit shall be determined by the relevant bank, in accordance with the procedures provided for in Instruction 5/2011 issued by Banco de Portugal, and shall not be higher than 100% of the credit institution's eligible capital.

In accordance with Article 109 of the Banking Law, the sum of all loans, guarantees and other commitments granted by a bank to any shareholder that holds, directly or indirectly, at least 10% of the bank's shares, and to all such shareholders in total, may not exceed 10% and 30% of its own funds, respectively. Notwithstanding the referred limitation, all such operations must be approved by a majority of 2/3 of the members of the Board of Directors and with a favourable opinion issued by the supervisory body of the Bank.

Instruction no. 5/2011 updates and broadens the set of relevant risks to be considered by financial institutions to include operational market and liquidity risks. In addition, financial institutions have been requested to report detailed information to Banco de Portugal relating to these risks.

### *Investment limitations of credit institutions*

According to Article 101 of the Banking Law, a credit institution may not own, directly or indirectly, for a continuous or interrupted period of over three years (five years where the relevant shareholdings are held through risk capital companies and holding companies—"SGPS"), more than 25% of the voting rights of any single non-financial company. This limit does not apply to shareholdings by a credit institution in other credit institutions, financial companies, financial institutions, ancillary service companies, securitisation companies, insurance companies, insurance companies' subsidiaries held in conformity with applicable law, insurance brokers and mediating companies, pension-fund managing companies, risk capital companies or SGPS which only hold stakes in the above, as well as to stakes held by credit institutions in real estate investment funds destined to housing leases (*fundos de investimento imobiliário para arrendamento habitacional*) and real estate investment companies (*sociedades de investimento imobiliário*).

### *Provisions for loan losses*

With the introduction of International Accounting Standards ("IAS") into Portuguese legislation from 1 January 2005, Banco de Portugal regulations related to provisions for loan losses ceased to apply to consolidated accounts and were replaced by the IAS 39 requirements on impairment.

Notice no. 5/2015, of 7 December, which revoked Notice no. 3/95 of Banco de Portugal pursuant to Regulation (CE) 1606/2002, of the European Parliament and of the Council, of 19 July, determined that from 1 January 2016 onwards, credit institutions must construe the respective individual and consolidated financial statements in accordance with IAS, as approved by the EU.

IAS 39 (Financial instruments: recognition and measurement), as approved by Commission Regulation (EC) No. 1126/2008, of 3 November 2008, as amended, sets forth two methods for calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

(i) Individually assessed loans:

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Bank assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:

1. group's aggregate exposure to the customer and the existence of overdue loans;
2. the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
3. the existence, nature and estimated value of the collaterals;
4. a significant downgrading in the customer's rating;
5. the assets available on liquidation or insolvency situations;
6. the ranking of all creditors' claims; and
7. the amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

(ii) Collective assessment:

Impairment losses are calculated on a collective basis under two different scenarios:

1. for homogeneous groups of loans that are not considered individually significant; or
2. losses which have been incurred but have not yet been reported on loans for which no objective evidence of impairment is identified (see last paragraph (i)).
3. The collective impairment loss is determined considering the following factors:
4. historical loss experience in portfolios with similar risk characteristics;
5. knowledge of the current economic and credit conditions and its impact on the historical losses level; and
6. the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Bank in order to monitor the differences between, estimated and real losses.



Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Bank's recognition of losses whose identification in individual terms only occurs in future periods.

In accordance with "Carta-Circular" no. 15/2009 of Banco de Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals, for the part of the loans which is collateralised, are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

#### *Maximum interest rates charged*

Interest rates, including those on bank deposits and loans and inter-bank market rates, are determined by free-market forces. The ECB sets very short-term monetary market rates (regular intervention rates) for regular refinancing operations, overnight standing facilities and liquidity absorption standing facilities.

Nevertheless Decree-Law no. 133/2009 (transposes Directive 2008/48/CE of the European Parliament and of the Council), as amended by Decree-Law no. 42-A/2013, of 28 March, determines maximum interest rates to be charged on the loans to customers. The identification of the relevant types of loans to the customers and the maximum interest rates to be charged are announced by Banco de Portugal on a quarterly basis.

#### *Capital penalisation for remuneration of deposits*

Banco de Portugal (Notice no. 7/2011 and Instruction no. 28/2011, as amended by Instruction no. 15/2012) determined a penalisation in the calculation of the capital ratios applicable to situations where the remuneration of deposits exceeds a specified limit defined based on Euribor rates.

### **Crisis Management**

#### *History and overview*

The international financial crisis and its effects on the banking sector has led to a review of the available legal mechanisms and intervention powers of supervisors in credit institutions whose financial situation begins to show signs of deterioration, so as to enable the swift adoption of measures aimed at preventing the risk of contagion to other institutions. This review identified the need to entrust the supervisors with a series of preventive intervention powers with the adoption of a harmonised system, for the establishment of this type of mechanism in the EU currently underway.

On 13 January 2011, the Basel Committee issued "Minimum requirements to ensure loss absorbency at the point of non-viability", which suggests specific rules for internationally active banks. The rules require that all additional Tier 1 and Tier 2 instruments issued by internationally active banks must include, with certain exceptions, a provision in their terms and conditions requiring that they should be written-off when particular circumstances occur.

On 10 July 2013, the EC adopted a new Banking Communication that sets out the updated EU crisis rules for state aid to banks during the crisis applicable as of 1 August 2013, replacing the 2008 Banking Communication and supplementing the remaining crisis rules. Together, they define the common EU conditions under which Member States can support banks with funding guarantees, recapitalisations or asset relief and the requirements for a restructuring plan. The crisis rules outline burden-sharing requirements that apply to all state aid granted to banks, not only resolution scenarios. The rules aimed at promoting a smoother passage to the bail-in regime under the BRRD and facilitate the transition towards the functioning of the SRM.

According to this Banking Communication, a bank must work out a restructuring plan, including a capital raising plan, demonstrating how it would become profitable in the long term before it can receive recapitalisation measures. If the viability of the bank cannot be restored, an orderly winding down plan has to be submitted instead. Those rules also entail the ability for Member States and the EC, in cooperation with the competent supervisor, to explore ways of filling capital shortfalls with contributions from the bank itself, from private investors or the bank's owners.

Banks with a capital shortfall will have to obtain shareholders' and subordinated debt-holders' contribution before resorting to public recapitalisations or asset protection measures. This will level the playing field between similar banks located in different Member States and reduce financial market fragmentation. Exceptions are possible where financial stability is at risk or where a bank has already managed to significantly close the capital gap, and the residual amount needed from the State is small compared to the size of the bank's balance sheet.

#### *Framework for the recovery and resolution of credit institutions and investment firms*

As mentioned above, the BRRD provided resolution authorities with common powers and instruments to pre-empt bank crises and to resolve any financial institution in an orderly manner in the event of failure, whilst preserving essential bank operations and minimising taxpayers' exposure to losses.

By delivering a comprehensive bail-in tool that ensures that shareholders and creditors bear the cost of bank failure, it aims at:

- (i) safeguarding the continuity of essential banking operations;
- (ii) risks to financial stability; and a
- (iii) avoiding the unnecessary destruction of value.

The powers provided to resolution authorities under the BRRD include write-down and conversion into CET 1 instruments immediately before any other resolution decision is made, if such action is necessary to ensure that capital instruments (including additional Tier 1 and Tier 2 instruments such as Subordinated Notes issued hereunder) and eligible liabilities fully absorb losses at the point of non-viability of the issuing institution.

The BRRD stipulates, inter alia, that resolution authorities should exercise the powers of reduction or conversion according to the credit priority order under normal insolvency procedures in a manner that:

- (i) reduces or converts CET 1 instruments proportionally in accordance with relevant losses;
- (ii) reduces or converts the nominal value of other capital instruments in CET 1. instruments (Tier 1 and Tier 2 instruments); and
- (iii) reduces and converts the remaining liabilities accordingly with a certain order of priority.

The directive established a range of instruments to tackle potential bank crises at three stages: preparatory and preventive, early intervention and resolution. Institutions are required to draw up recovery plans and update them annually, setting out the measures they would take to restore their financial position in the event of significant deterioration. Resolution authorities have to prepare resolution plans for each institution, setting out the actions they might take if an institution were to meet the conditions for resolution.

Resolution authorities also have the power to appoint special managers to an institution if its financial situation were to deteriorate significantly or if there were serious violations of the law.

The main resolution measures can include: the sale of (part of a) business, establishment of a bridge institution (the temporary transfer of good bank assets to a publicly controlled entity), asset separation (the transfer of

impaired assets to an asset management vehicle) and bail-in measures (the imposition of losses, with an order of seniority, on shareholders and unsecured creditors such as the Noteholders). The bail-in tool (the "**bail-in tool**") enables resolution authorities to write down or convert into equity the claims of the shareholders and creditors such as the Noteholders. Certain types of liabilities are permanently excluded from bail-in (e.g., covered deposits, covered bonds). Resolution authorities also have the power to exclude, or partially exclude, liabilities on a discretionary basis.

The BRRD requires Member States, as a general rule, to set up ex-ante resolution funds to ensure that the resolution tools can be applied effectively. To reach the target level, institutions have to make annual contributions based on their liabilities, excluding own funds, and adjusted for risk. Resolution funds are to be available to provide temporary support to institutions under resolution via loans, guarantees, asset purchases, or capital for bridge banks. They may also be drawn on to compensate shareholders or creditors if and to the extent that their losses under bail-in exceed the losses they would have undergone under normal insolvency proceedings, in line with a "no creditor worse off" principle.

To ensure that institutions always have sufficient loss-absorbing capacity, resolution authorities can set minimum requirements for own funds and eligible liabilities for each institution, based on size, risk and business model.

On 3 September 2016, the EC adopted the delegated regulation (EU) 2016/1450 of 23 May 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards ("**RTS**"), which entered into force on 23 September 2016, specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities under the BRRD. This directive requires that institutions meet a minimum requirement for own funds and eligible liabilities ("**MREL**") to avoid excessive reliance on forms of funding that are excluded from bail-in, since failure to meet the MREL would negatively impact the institutions' loss absorption and recapitalisation capacity and, ultimately, the overall effectiveness of resolution.

This framework attempts to shift the burden of bailing-in banks from taxpayers to bank creditors. To that end, resolution authorities were given the power to allocate losses to shareholders and creditors (including the Noteholders) (the "bail in" tool, as per Article 43 of the BRRD), in line with the valuation of the failing business and according to the sequence provided in Article 48 of the BRRD. Shareholders and creditors must therefore absorb losses for at least 8% of their total liabilities, including own funds, before any use of the resolution fund.

When determining MREL in accordance with points (a) and (b) of Article 45(6) of Directive 2014/59/EU and in applying the bail-in tool, the resolution authority should ensure that the institution is capable of absorbing an adequate amount of losses and that it is recapitalised by an amount sufficient to restore its CET 1 ratio to a level that is adequate under the capital requirements, while sustaining sufficient market confidence. The resolution authority should also take into account the assessments made by the competent authority on the business model, funding model, and risk profile of the institution in order to set prudential requirements.

The MREL will be calculated based on three components:

1. the loss absorption amount, based on the current capital requirements, including regulatory capital requirements (8% of RWA), the combined buffer requirements, and additional pillar 2 bank-specific requirements set by the supervisor;
2. the recapitalisation amount (RCA), which aims to cover the capital requirements of the failing institution post-resolution, taking into account potential divestments and other resolution actions under the preferred resolution strategy, and the need to maintain sufficient market confidence; and
3. the DGS adjustment, linked to any potential involvement of a DGS to protect insured depositors.

MREL tentative phased-in approach: the SRB will engage with banking groups over the course of 2016 to draft a preferred resolution strategy, and an indicative MREL target will be set at consolidated level, subject to a phase in period. The phase in period, by decision of the SRB, can be extended over the initially envisaged 48 months, depending on the bank's and markets' underlying conditions.

#### *Domestic resolution regime*

In this context, Decree-Law no. 31-A/2012, of 10 February 2012, and Law no. 23-A/2015, of 26 March which amended the Banking Law, replaced the credit institution restructuring system, approving a new system characterised by three different intervention phases (corrective intervention, provisional administration and resolution), applicable according to the severity of the risk or degree of non-compliance by an institution with the rules which discipline its activity, as well as the scale of the respective consequences on the interests of the depositors or on the stability of the financial system. Banco de Portugal will be responsible for the choice of the modality of intervention and adoption of specific measures.

The legal endorsement of these measures constitutes a relevant change to the applicable rules, since, in light of the previous rules, when a credit institution was in a very serious situation the authorities had, as an alternative action, the ability to revoke its respective authorisation for the exercise of the activity and its subsequent winding up or nationalisation.

The new system sets forth a range of corrective intervention measures. Whenever a financial institution does not comply, or is at risk of not complying, with the applicable legal and regulatory framework, Banco de Portugal may resolve to apply one or more corrective measures, such as: a) preparation by the management body of an action plan with solutions for the banks situation in order to eliminate the risk of non-compliance; b) appointment of a supervisory commission or an auditor; c) restrictions to loan granting activity; d) certain operations becoming subject to Banco de Portugal's prior approval, among others.

Banco de Portugal may also impose the preparation of a recovery and restructuring plan to be submitted to Banco de Portugal, who will be responsible for approving it or requesting for its modification, thus seeking to ensure planning of measures in the event of the need for the recovery of a credit institution.

Furthermore, Banco de Portugal may also opt to replace or revoke the members of the management and supervisory boards when, for whatever reason, the requirements concerning professional qualification, independence, reputability and availability are no longer met by such members.

Whenever the corrective intervention measures reveal to have been insufficient to lead to the recovery of the credit institution, or whenever Banco de Portugal considers a priori that such measures would be insufficient, it may (a) suspend or revoke the members of the management board and appoint provisional members, (b) revoke the authorisation granted to the institution for the performance of the respective activity (followed by liquidation), or (c) apply a resolution measure. The provisional administration phase will correspond to situations that may place the financial balance or solvency of the institution at serious risk, or constitute a threat to the stability of the financial system.

In the extreme case, where a credit institution is at serious risk of non-compliance with the requirements for the maintenance of the authorisation for the exercise of its activity and it is not foreseeable that it will manage to return to adequate conditions of soundness and compliance with prudential ratios within a suitable period, the commencing of a resolution phase will enable the application of measures of last resort. These resolution measures include the total or partial disposal of the business of a credit institution or the transfer of assets, liabilities, off-balance sheet items or assets under management to a transition bank.

The application of these types of measures will naturally depend on their necessity to prevent systemic contagion or possible negative impacts on the financial stability plan, with a view to minimising costs for the public treasury or safeguarding the trust of the depositors.

### *The Single Resolution Mechanism*

The SRM implements the BRRD in the Eurozone by applying the substantive rules of the BRRD in a coherent and centralised way in order to ensure that, if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to tax payers, through the implementation of a Single Resolution Board. The SRM regulation has been applicable, together with the bail-in tools under the BRRD, since January 2016, except for some provisions which have been applicable since January 2015.

#### *Resolution funds*

The Portuguese Resolution Fund was created in Portugal and is a resolution fund whose primary purpose has been to provide financial support for the implementation of resolution measures determined by Banco de Portugal. It foresees the participation of credit institutions with a head office in Portugal, including the Bank, branches of credit institutions in states that do not belong to the EU, relevant companies for the management of payment systems subject to supervision of Banco de Portugal and certain types of investment companies.

Financing can also be provided through the BRRD, on a complementary basis, by the SRF, which has been established by the SRM Regulation. Where necessary, the SRF may be used to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRM Regulation. Under the intergovernmental agreement on the transfer and mutualisation of contributions to the SRF, contributions by banks to the SRF raised at a national level will be transferred to the SRE. Thus, as of 1 January 2016, banks operating under the SRM Regulation will no longer be able to access the previous Portuguese Resolution Fund for the financing of application of the resolution measures mentioned above.

The main resolution measures can include: the sale of (part of a) business, establishment of a bridge institution (the temporary transfer of good bank assets to a publicly controlled entity), asset separation (the transfer of impaired assets to an asset management vehicle) and bail-in measures (the imposition of losses, with an order of seniority, on shareholders and unsecured creditors). The bail-in tool enables resolution authorities to write down or convert into equity the claims of the shareholders and creditors (including the Noteholders). Certain types of liabilities are permanently excluded from bail-in (e.g., covered deposits, covered bonds). Resolution authorities also have the power to exclude, or partially exclude, liabilities on a discretionary basis.

#### *Deposit Guarantee Fund*

In accordance with the Banking Law, all Portuguese banks (with the exception of mutual agricultural credit banks, which have their own deposit guarantee mechanism) and banks with registered offices outside the EU (except if already covered by a similar protection scheme), based on their deposits collected through branches in Portugal, are required to participate in the DGF. The DGF is a legal entity with administrative and financial autonomy, functioning under the supervision of Banco de Portugal, whose objective is to guarantee the repayment of deposits with credit institutions, subject to certain limitations.

The DGF guarantees the repayment of deposits made in Portugal at participating banks, with certain exceptions, in particular, deposits made by financial institutions and by the Public Administrative Sector. The limit set for full repayment of the balances owed to each depositor has been permanently raised from EUR 25,000 to EUR 100,000 by Decree-Law no. 119/2011, of 26 December, which implemented Directive 2009/14/CE, of the European Parliament and the Council of 11 March, which amended Directive 94/19/CE of the European Parliament and the Council of 30 May 1994. The amount of the annual periodic contribution to the DGF by participants is based on a rate applied to the average annual balance of the deposits covered by the guarantee and on the risk profile of the bank.

On 12 July 2010, the EC adopted a legislative proposal for the revision of the Directive on Deposit Guarantee Scheme to be applicable across Member States. Under current proposals, the amount to be guaranteed would be EUR 100,000 of all aggregated accounts of one account holder at the same bank.

On 16 April 2014, the European Parliament and the Council adopted Directive 2014/49/EU on DGS (the "**DGS Directive**"). The Directive encompasses the harmonisation of the funding mechanisms of DGS, the

introduction of risk-based contributions and the harmonisation of the scope of products and depositors covered. In accordance with the DGS Directive, each credit institution should be part of a DGS recognised under this Directive, thereby ensuring a high level of consumer protection and a level playing field between credit institutions, while also preventing regulatory arbitrage. The DGS Directive sets the harmonised coverage level at EUR 100,000 and retains the principle of a harmonised limit per depositor rather than per deposit (such limit to be applied, in principle, to each identifiable depositor, except for collective investment undertakings subject to special protection rules). Each institution's contribution to DGS will be based on the amount of covered deposits and the degree of risk incurred by the respective member. The DGS Directive was transposed into the Portuguese law by Law no. 23-A/2015, of 26 March.

According to the BRRD, and consequently the Banking Law, with the amendments of Law No. 23-A/2015, of 26 March 2015, banks must ensure that by 3 July 2024 the financial resources available to a DGS amount to a target-level of 0.8% of the amount of DGF-covered deposits.

If, after this target level is reached for the first time, the available financial resources are reduced to less than two thirds of the target level, the ex-ante contributions are set by Banco de Portugal at a level that allows the target level to be reached within six years. If the available financial resources are not sufficient to reimburse the depositors, in the event of unavailability of deposits, DGS members must pay ex-post contributions not exceeding 0.5% of the DGF-covered deposits for the exercise period of the DGF. In exceptional circumstances, the DGS can request a higher amount of contribution with the approval of Banco de Portugal.

Decree-Law No. 31-A/2012, of 10 February, which amended the Legal Framework of Credit Institutions and Financial Companies, also introduced, on terms subsequently amended by Law No 23-A/2015, of 26 March, the creation of the privileges accorded to claims associated with loans backed-up by deposits under the DGF, as well as credit secured by the DGF, by SICAM or by the Resolution Fund, arising from the potential financial support that these institutions might give in the context of the implementation of resolution measures, within the limits of the applicable laws.

#### *Investor Compensation Scheme*

In June 1999, the Investors Compensation Scheme regulation was published, transposing Directive 97/9 EC of the European Parliament and of the Council of 3 March 1997, through Decree-Law no. 222/99, of 22 June, which was amended by Decree-Law no. 162/2009, of 20 June. It is similar to the DGF, but regulates stock operations and other financial instruments, guaranteeing non-institutional investors compensation for damages resulting from the actions of market members or participants in the system up to EUR 25,000. The Investors Compensation Scheme aims to guarantee the reimbursement of assets linked to funds or financial instruments that are administered or managed by the financial entities that participate in the Investors Compensation Scheme. These are loan granting institutions that provide financial services and investment companies resident in Portugal. Institutions authorised in other Member States have the right to adhere to the Investors Compensation Scheme when it is more favourable than that of their country of origin.

A proposal to amend the aforementioned directive was adopted by the EC in 2010, but has not yet been approved by the European Parliament and the Council.

#### *International Capital Flows*

Since 16 December 1992, there have been no foreign exchange controls directly or indirectly applied to either residents or non-residents in Portugal. Residents' demand for external financing, coupled with the interest of international investors in escudo-denominated and euro-denominated assets, have increased foreign capital inflows in the last few years.

The issuance of securities by foreign entities, expressed either in euro or in foreign currency, on the domestic market, and the issuance of securities on international markets by entities based in Portugal have become more flexible since August 1994, and the authorities must now simply be notified. This measure is part of the full integration of the Portuguese capital markets into the Single Financial Market.

Except as described below in "*Reporting of Substantial Shareholdings*", the acquisition by a non-resident of Portugal of shares of a Portuguese company is not subject to any previously required prior notification by the acquiring person to any Portuguese governmental authority or agency.

All securities accounts of non-residents of Portugal must be maintained with a financial institution registered for the provision of custody services in Portugal, with the opening and monthly activities of such accounts being reported to Banco de Portugal for statistical purposes. In the case of transactions with a value of EUR 249,398.95 or more, the resident involved in the transaction must provide statistical information to Banco de Portugal within 10 business days of the closing of the transaction. Alternatively, the information may be provided by a bank acting on behalf of its client.

Law no. 28/2009 of 19 June 2009, which amended the Banking Law, sets forth the prohibition to grant credit to entities with a head office in an off-shore jurisdiction considered to be non-cooperative or whose ultimate beneficiary is unknown. In addition, it requires the registration of transfer operations to off-shore jurisdictions or those whose beneficiary is an entity with a head office in an off-shore jurisdiction, and its communication to Banco de Portugal.

Following the publication of Law no. 28/2009, Banco de Portugal issued Notice no. 7/2009 of 16 September 2009, regulating its key aspects.

#### *Reporting of Substantial Shareholdings*

Prior notification of Banco de Portugal is required from any investor seeking to acquire or to increase any direct or indirect shareholdings that would reach or exceed 10%, 20%, one third or 50% of the share capital or the respective voting rights of any credit institution (or that in any other way transforms the credit institution into a subsidiary ("affiliate")), including that of the Bank. Banco de Portugal has a period of 60 business days in which it may object to the proposed acquisition or changes in shareholdings above these thresholds, if it is not demonstrated that the intended shareholder can guarantee prudent management of the credit institution. Prior notification must be provided whenever such shareholder wishes to reduce its shareholding below these thresholds. Within 15 days of the occurrence of such event, a subsequent communication by a shareholder effectively acquiring or reducing below such thresholds is also required. Such subsequent notification obligation is also applicable whenever at least 5% of the share capital or the respective voting rights of the credit institution are acquired. Pursuant to the entry into force of the Single Supervisory Mechanism, the ECB has supervisory powers to assess notifications of the acquisition and disposal of qualifying holdings in credit institutions. As national competent authority, Banco de Portugal must assess the proposed acquisition, and shall forward the notification and a proposal for a decision to oppose or not to oppose the acquisition to the ECB. The ECB shall decide whether to oppose the acquisition on the basis of the assessment criteria set out in relevant EU law and in accordance with the procedure and within the assessment periods set out therein.

Under Portuguese company law, any company that is a shareholder holding directly or indirectly at least 10% of the share capital of another company must notify such company whenever it acquires or disposes of such company's outstanding share capital. In addition, according to the Portuguese Securities Code, a shareholder of a Portuguese public company (*sociedade com o capital aberto ao investimento do público* or *sociedade aberta*), that has issued shares listed in a regulated market, such as Euronext Lisbon, or other securities granting a right to the subscription or acquisition of its shares must notify such company and the CMVM whenever it reaches (directly or indirectly, including as a result of the rules on deemed attribution of voting rights set forth in Article 20 of the Securities Code) 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the voting rights corresponding to the company's share capital and whenever such shareholder's ownership exceeds or drops below such thresholds (such shareholdings being considered "qualified shareholdings").

The aforementioned information must be provided as soon as possible and within a maximum of four trading days from the date of reaching or crossing any relevant threshold. The issuing entity is required to make a public announcement containing such information as soon as possible and in any event within three trading days upon receiving the relevant notice. The CMVM has also approved Regulation no. 5/2010, which created a duty to report long positions in shares (including, in addition to those cases set forth in Article 20 of the Securities Code, those agreements or financial instruments of similar economic effect to holding shares that alone do not generate the attribution of voting rights, held directly or by third parties who are within the situations set forth in Article 20/1 of the Securities Code, including contracts for differences, cash-settled swaps, cash-settled options, cash-settled futures and forwards contracts). This regulation also added the 40%, 45%, 55%, 60%, 70%, 75%, 80% and 85% thresholds for communication of long positions to those set forth in Article 16 of the Securities Code and mentioned above.

With respect to short selling transactions, Regulation (EU) No. 236/2012, of the European Parliament and of the Council, of 14 March, on short selling and credit default swaps, as amended by Regulation (EU

No. 909/2014, of the European Parliament and of the Council, of 23 July, which entered into force on 1 November 2012, and other relevant legal acts issued for its implementation introduce, inter alia, disclosure obligations to investors holding significant short positions on shares, sovereign debt securities, uncovered positions on sovereign credit default swaps, when relevant restrictions are lifted.

These obligations of communication and announcement may be fulfilled by companies in a dominant or group relationship with the entity subject to such obligations.

In general terms, a person that acquires more than one-third or half of the voting rights in a public company, or to whom such voting rights become attributable (in accordance with the relevant Portuguese Securities Code rules), is required to launch a mandatory takeover offer for all shares in the subject company.

#### *Treasury Stock*

Portuguese law prohibits a company from subscribing to its own shares and generally from issuing guarantees or lending money to any third party in connection with its subscription to or acquisition of such shares, subject to certain exemptions (in particular in relation to the commercial business of banks and in relation to acquisitions by or for employees). Generally, a company may only acquire or sell its own shares on terms and conditions determined at a General Meeting of Shareholders and, subject to certain exceptions, such shares may not exceed 10% of its share capital. During the period that such shares are owned by the company, all rights pertaining to such shares are suspended, except for the right to receive additional free or bonus shares.

Treasury shares of a company which exceed the 10% limit must be sold within one year (if unlawfully acquired) or within three years (if lawfully acquired). Failure to do so will render such shares liable to be cancelled and the directors of the company potentially personally liable.

Shareholdings acquired, subscribed to or held by a direct or indirect subsidiary, are considered for all purposes own shares of the parent company and are subject to the same requirements as those mentioned above, provided that subsidiaries can subscribe to parent shares on behalf of third parties and any shares so held will not be considered to be treasury shares.



## **BANCO COMERCIAL PORTUGUÊS**

The financial information set out below has been derived from the audited consolidated financial statements of the Bank as at, and for the years ended on, 31 December 2014 and 31 December 2015 and the unaudited consolidated balance sheet and income statement for the nine-month period ended 30 September 2016 of the Bank. The consolidated financial statements of the Bank were prepared in accordance with IFRS. Such financial information should be read together with, and is qualified in its entirety by reference to, the Bank's annual reports and audited financial statements as at, and for the years ended on, 31 December 2014 and 31 December 2015 and the unaudited consolidated balance sheet and income statement of the Bank for the nine-month period ended 30 September 2016. The financial statements for the years ended on 31 December 2014 and 31 December 2015 have been approved by the Board of Directors of the Bank and by the General Meeting of Shareholders on 11 May 2015 and 21 April 2016, respectively.

**Consolidated Income Statement**  
for the years ended 31 December, 2015 and 2014

	<b>2015</b>	<b>2014</b>
	(Thousands of EUR)	
Interest and similar income.....	2,316,101	2,652,638
Interest expense and similar charges .....	(1,014,526)	(1,536,487)
Net interest income.....	1,301,575	1,116,151
Dividends from equity instruments.....	11,941	5,888
Net fees and commissions income .....	692,862	680,885
Net gains / (losses) arising from trading and hedging activities .....	173,698	154,247
Net gains / (losses) arising from financial assets available for sale .....	421,746	302,407
Net gains / (losses) arising from financial assets held to maturity .....	-	(14,492)
Other operating income/costs .....	(110,519)	(53,300)
	2,491,303	2,191,786
Other net income from non banking activities.....	18,856	19,278
Total operating income.....	2,510,159	2,211,064
Staff costs .....	616,070	635,616
Other administrative costs .....	423,833	448,451
Depreciation .....	66,623	65,543
Operating expenses .....	1,106,526	1,149,610
Operating net income before provisions and impairment.....	1,403,633	1,061,454
Loans impairment.....	(833,024)	(1,106,990)
Other financial assets impairment .....	(56,675)	(91,345)
Other assets impairment .....	(79,667)	(36,311)
Goodwill impairment.....	-	(145)
Other provisions .....	(24,947)	(81,473)
Operating net income .....	409,320	(254,810)
Share of profit of associates under the equity method .....	23,528	35,960
Gains / (losses) from the sale of subsidiaries and other assets.....	(30,138)	45,445
Net (loss)/income before income tax .....	402,710	(173,405)
Income tax		
Current.....	(99,746)	(100,995)
Deferred.....	43,349	198,670
(Loss) / income after income tax from continuing operations	346,313	(75,730)
(Loss) / income arising from discontinued operations	14,648	(40,830)
Net loss after income tax.....	360,961	(116,560)
Attributable to:		
Shareholders of the Bank .....	235,344	(226,620)
Non-controlling interests .....	125,617	110,060
Net loss for the year .....	360,961	(116,560)
Earnings per share (in EUR)		
Basic.....	0.005	(0.005)
Diluted.....	0.005	(0.005)

**Consolidated Income Statement**  
for the nine month period ended 30 September, 2016 and 2015

	<b>30 September 2016</b>	<b>30 September 2015 (restated)</b>
	(Thousands of EUR)	
Interest and similar income.....	1,429,522	1,630,587
Interest expense and similar charges .....	(522,534)	(753,984)
Net interest income .....	906,988	876,603
Dividends from equity instruments.....	6,961	3,487
Net fees and commissions income .....	481,146	497,965
Net gains / (losses) arising from trading and hedging activities .....	85,719	99,601
Net gains / (losses) arising from available for sale financial assets .....	126,794	406,336
Net gains from insurance activity .....	2,499	7,580
Other operating income .....	(94,586)	(37,113)
Total operating income .....	1,515,521	1,854,459
Staff costs .....	410,409	430,208
Other administrative costs .....	274,946	289,282
Depreciation .....	37,001	40,978
Operating costs.....	722,356	760,468
Operating net income before provisions and impairments.....	793,165	1,093,991
Loans impairment.....	(870,188)	(613,634)
Other financial assets impairment .....	(178,650)	(37,307)
Other assets impairment .....	(35,145)	(63,783)
Goodwill impairment.....	(10,097)	-
Other provisions .....	(18,937)	(15,953)
Operating net income .....	(319,852)	363,314
Share of profit of associates under the equity method .....	60,608	25,084
Gains / (losses) from the sale of subsidiaries and other assets.....	(4,243)	(23,980)
Net (loss) / income before income tax .....	(263,487)	364,418
Income tax		
Current .....	(76,537)	(62,856)
Deferred .....	144,750	(4,272)
Net (loss) / income after income tax from continuing operations .....	(195,274)	297,290
Income arising from discontinued operations.....	45,227	72,200
Net income after income tax.....	(150,047)	369,490
Attributable to:		
Shareholders of the Bank .....	(251,080)	264,536
Non-controlling interests.....	101,033	104,954
Net income for the period.....	(150,047)	369,490
Earnings per share (in EUR)		
Basic.....	(0.006)	0.007
Diluted .....	(0.006)	0.007

## Consolidated Balance Sheet as at 31 December, 2015 and 2014

	2015	2014
	(Thousands of EUR)	
<b>Assets</b>		
Cash and deposits at central banks .....	1,840,317	1,707,447
Loans and advances to credit institutions		
Repayable on demand .....	776,413	795,774
Other loans and advances .....	921,648	1,456,026
Loans and advances to customers .....	51,970,159	53,685,648
Financial assets held for trading .....	1,188,805	1,674,240
Other financial assets held for trading at fair value through profit or loss .....	152,018	-
Financial assets available for sale .....	10,779,030	8,263,225
Assets with repurchase agreement .....	-	36,423
Hedging derivatives .....	73,127	75,325
Financial assets held to maturity .....	494,891	2,311,181
Investments in associated companies .....	315,729	323,466
Non current assets held for sale .....	1,765,382	1,622,016
Investment property .....	146,280	176,519
Property and equipment .....	670,871	755,451
Goodwill and intangible assets .....	210,916	252,789
Current income tax assets .....	43,559	41,895
Deferred income tax assets .....	2,561,506	2,398,562
Other assets .....	974,228	784,929
<b>Total assets .....</b>	<b>74,884,879</b>	<b>76,360,916</b>
<b>Liabilities</b>		
Deposits from credit institutions .....	8,591,045	10,966,155
Deposits from customers .....	51,538,583	49,816,736
Debt securities issued .....	4,768,269	5,709,569
Financial liabilities held for trading .....	723,228	952,969
Hedging derivatives .....	541,230	352,543
Provisions .....	284,810	460,293
Subordinated debt .....	1,645,371	2,025,672
Current income tax liabilities .....	22,287	31,794
Deferred income tax liabilities .....	14,810	6,686
Other liabilities .....	1,074,675	1,051,592
<b>Total Liabilities .....</b>	<b>69,204,308</b>	<b>71,374,009</b>
<b>Equity</b>		
Share capital .....	4,094,235	3,706,690
Treasury stock .....	(1,187)	(13,547)
Share premium .....	16,471	-
Preference shares .....	59,910	171,175
Other capital instruments .....	2,922	9,853
Fair value reserves .....	23,250	106,898
Reserves and retained earnings .....	192,224	458,087
Net loss for the year attributable to Shareholders .....	235,344	(226,620)
<b>Total Equity attributable to Shareholders of the Bank .....</b>	<b>4,623,169</b>	<b>4,212,536</b>
Non-controlling interests .....	1,057,402	774,371
<b>Total Equity .....</b>	<b>5,680,571</b>	<b>4,986,907</b>
	<b>74,884,879</b>	<b>76,360,916</b>

**Consolidated Balance Sheet as at 30 September 2016 and 2015**

	<b>30 September 2016</b>	<b>30 September 2015</b>
	(Thousands of EUR)	
<b>Assets</b>		
Cash and deposits at central banks .....	2,618,275	1,514,453
Loans and advances to credit institutions		
Repayable on demand .....	421,850	984,037
Other loans and advances .....	1,628,151	976,054
Loans and advances to customers .....	48,805,818	52,478,248
Financial assets held for trading .....	1,090,767	1,481,053
Other financial assets held for trading at fair value through profit or loss .....	145,605	-
Financial assets available for sale .....	10,680,030	11,556,620
Assets with repurchase agreement .....	19,983	10,545
Hedging derivatives .....	106,115	85,114
Financial assets held to maturity .....	415,611	432,941
Investments in associated companies .....	574,626	313,914
Non-current assets held for sale .....	2,112,762	1,674,469
Investment property .....	61,929	147,639
Property and equipment .....	463,459	673,474
Goodwill and intangible assets .....	188,823	206,271
Current tax assets .....	35,011	39,931
Deferred tax assets .....	2,790,693	2,505,379
Other assets .....	882,088	904,891
Total assets .....	<u>73,041,596</u>	<u>75,985,033</u>
<b>Liabilities</b>		
Amounts owed to credit institutions .....	11,302,736	10,288,944
Amounts owed to customers .....	48,937,144	50,643,751
Debt securities .....	3,919,170	4,909,742
Financial liabilities held for trading .....	610,479	828,378
Hedging derivatives .....	383,149	548,975
Provisions for liabilities and charges .....	279,997	300,768
Subordinated debt .....	1,682,860	1,683,817
Current income tax liabilities .....	5,508	7,268
Deferred income tax liabilities .....	2,151	16,736
Other liabilities .....	970,040	1,020,107
Total Liabilities .....	<u>68,093,234</u>	<u>70,248,486</u>
<b>Equity</b>		
Share capital .....	4,094,235	4,094,235
Treasury stock .....	(3,106)	(1,089)
Share premium .....	16,471	16,471
Preference shares .....	59,910	59,910
Other capital instruments .....	2,922	2,922
Legal and statutory reserves .....	245,875	223,270
Fair value reserves .....	(66,067)	9,003
Reserves and retained earnings .....	(22,820)	50,783
Net income for the period attributable to Shareholders .....	(251,080)	264,536
Total Equity attributable to Shareholders of the Bank .....	4,076,340	4,720,041
Non-controlling interests .....	872,022	1,016,506
Total Equity .....	<u>4,948,362</u>	<u>5,736,547</u>
	<u>73,041,596</u>	<u>75,985,033</u>

**Consolidated Cash Flows Statement**  
for the years ended 31 December, 2015 and 2014

	<b>2015</b>	<b>2014</b>
	(Thousands of EUR)	
<b><i>Cash flows arising from operating activities</i></b>		
Interest income received .....	2,189,498	2,354,534
Commissions received .....	850,019	862,022
Fees received from services rendered .....	79,755	90,078
Interest expense paid .....	(1,061,619)	(1,635,320)
Commissions paid .....	(203,186)	(271,755)
Recoveries on loans previously written off .....	29,726	15,631
Net earned premiums .....	28,622	26,742
Claims incurred .....	(10,438)	(10,641)
Payments to suppliers and employees .....	(1,453,636)	(1,491,419)
Income taxes (paid) / received .....	(98,847)	(85,513)
	<b>349,894</b>	<b>(145,641)</b>
<b><i>Decrease / (increase) in operating assets:</i></b>		
Loans and advances to credit institutions .....	518,599	(332,121)
Deposits with central banks under monetary regulations .....	(94,538)	1,329,828
Loans and advances to customers .....	673,511	3,386,494
Short term trading account securities .....	332,709	(121,139)
<b><i>Increase / (decrease) in operating liabilities:</i></b>		
Deposits from credit institutions repayable on demand .....	(76,622)	137,806
Deposits from credit institutions with agreed maturity date .....	(2,247,785)	(2,536,748)
Deposits from clients repayable on demand .....	3,750,799	1,556,641
Deposits from clients with agreed maturity date .....	(1,953,456)	(1,509,976)
	<b>1,253,111</b>	<b>1,765,144</b>
<b><i>Cash flows arising from investing activities</i></b>		
Sale of shares in subsidiaries and associated companies .....	320,305	163,786
Dividends received .....	46,319	9,269
Interest income from available for sale financial assets and held to maturity financial assets .....	325,517	414,809
Proceeds from sale of available for sale financial assets .....	12,572,774	13,340,670
Available for sale financial assets purchased .....	(65,920,453)	(81,733,441)
Proceeds from available for sale financial assets on maturity .....	52,626,182	69,578,158
Acquisition of fixed assets .....	(90,824)	(119,763)
Proceeds from sale of fixed assets .....	38,732	28,163
Decrease/ (increase) in other sundry assets .....	72,639	(231,821)
	<b>(8,809)</b>	<b>1,449,830</b>
<b><i>Cash flows arising from financing activities</i></b>		
Issuance of subordinated debt .....	657	421
Reimbursement of subordinated debt .....	(16,403)	(2,265,669)
Issuance of debt securities .....	309,586	3,912,301
Reimbursement of debt securities .....	(1,416,446)	(7,739,894)
Issuance of commercial paper and other securities .....	120,558	99,563
Reimbursement of commercial paper and other securities .....	(5,240)	(19,060)
Share capital increase .....	-	2,241,690
Dividends paid to non-controlling interests .....	(10,157)	(31,055)
Increase / (decrease) in other sundry liabilities and non-controlling	(72,769)	240,979

	<b>2015</b>	<b>2014</b>
	(Thousands of EUR)	
interests .....	(1,090,214)	(3,560,724)
Exchange differences effect on cash and equivalents .....	(150,948)	10,604
Net changes in cash and equivalents .....	3,140	(335,146)
Cash and equivalents at the beginning of the year .....	1,398,584	1,733,730
Cash .....	625,311	602,810
Other short term investments .....	776,413	795,774
Cash and equivalents at the end of the year .....	1,401,724	1,398,584

## Evolution of the Solvency Ratio on the third quarter of 2016

On 26 June 2013, the European Parliament and Council approved CRD IV/CRR that established new and more demanding capital requirements for credit institutions, with effects from 1 January 2014 onwards.

These stricter requirements result from more narrowly defined capital and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for Common Equity Tier 1 (CET1), 8.5% for Tier 1 and 10.5% for Total Capital. The CRD IV/CRR also stipulates a transitional period (phased-in) in which institutions may accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios.

According to the Bank's interpretation of CRD IV/CRR as at the date of this Base Prospectus, CET1 phased-in estimated ratio reached 12.2% as at 30 September 2016 compared to 12.3% posted as at 30 June 2016 (and 13.3% as at 31 December 2015).

The performance of the phased-in CET1 ratio in the third quarter of 2016 mainly reflects the unfavourable effects of the net income recorded in this period and the negative foreign exchange differences, mainly of the Mozambican Metical, which were offset by the reduction of capital requirements, mostly for market risk. The fully implemented CET1 ratio was also affected by the exclusion of the transitional adjustments, namely the impact of the devaluation of sovereign debt held for sale.

The Bank's credit risk models are continuously monitored and supervised by the supervisory authorities, with whom the Bank maintains a regular dialogue on the matter. The Bank is currently making changes to the set of models used in the scope of the IRB methodology for calculating capital requirements. These amendments reflect the most recent recommendations received in the framework of this dialogue and following regular inspections by the SSM, in particular as regards the LGD models for defaulted exposures, to be phased in by the end of the first semester of 2017, and corporate, in this case to be implemented in 2016. In the case of recent recommendations, it is not possible to anticipate the respective implications with the reliability desirable, and may imply a reduction in capital ratios.

### SOLVENCY (CRD IV/CRR)

	<i>Euro million</i>	
	<i>30 Sep 16</i>	<i>30-Jun-16</i>
	<i>Phased-in</i>	
<b>Own funds</b>		
Common equity tier 1 (CET 1)	4,669	4,719
Tier 1	4,669	4,719
<b>Total Capital</b>	<b>5,052</b>	<b>5,133</b>
<b>Risk weighted assets</b>	<b>38,287</b>	<b>38,415</b>
<b>Solvency ratios</b>		
CET1	12.2%	12.3%
Tier 1	12.2%	12.3%
Total Capital	13.2%	13.4%
	<i>Fully implemented</i>	
CET1	9.5%	9.7%



## TAXATION

### TAXATION

#### Portuguese Taxation

The following is a general summary of the Bank's understanding of current law and practice in Portugal as in effect on the date of this Base Prospectus in relation to certain current relevant aspects to Portuguese taxation of the Notes and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any holder of Notes. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are absolute beneficial owners of the Notes. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences of the purchase, ownership and disposal of Notes.

The references to "interest", "other investment income" and "capital gains" in the paragraphs below mean "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take into account different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be used in the Terms and Conditions or any related documentation.

#### *Portuguese resident holders and non-resident holders with a Portuguese permanent establishment*

Interest and other types of investment income obtained on Notes by a Portuguese resident individual is subject to withholding tax at 28%, which, if such income is not earned as business or professional income, is the final tax on that income unless the individual elects to include it in his/her taxable income, subject to tax at progressive rates of up to 53%, to which a surtax of up to 3.21% may apply. In this case, the tax withheld is deemed a payment on account of the final tax due.

In the case of Zero Coupon Notes, the difference between the redemption value and the subscription cost is regarded as investment income and is taxed accordingly.

Gains obtained on the disposal or the refund of the Notes by an individual resident in Portugal for tax purposes are subject to Portuguese capital gains taxation on the positive difference between such gains and gains on other securities and losses in securities. Tax applies at 28%, which is the final tax on that income, unless the individual elects to include it in his/her taxable income, subject to tax at progressive rates of up to 53%, to which a surtax of up to 3.21% may apply. Accrued interest qualifies as interest for tax purposes.

Stamp tax at 10% applies to the acquisition through gift or inheritance of Notes by an individual who is domiciled in Portugal. An exemption applies to transfers in favour of the spouse (or person living together as spouse), descendants and parents/grandparents.

Interest or other investment income derived from the Notes and capital gains realised with the transfer of the Notes by legal persons resident for tax purposes in Portugal and by non-resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to Portuguese corporate tax at 21% or 17% on the first EUR 15,000 in the case of small and medium sized enterprises and may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5%. A state surcharge ("*derrama estadual*") also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000, and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000, and at 7% on taxable profits in excess of EUR 35,000,000.

Withholding tax at 25% applies to interest and other investment income, which is deemed a payment on account of the final tax due. The withholding (and final) tax rate is 21% in the case of entities benefiting from a tax exemption under Articles 9 and 10 of the corporate tax code that does not apply to investment income. The corporate tax rate is 21% in the case of entities not carrying on an activity of a commercial, industrial or agricultural nature.

Financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds, collective investment undertakings and some exempt entities, among other entities, are not subject to withholding tax.

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

The acquisition of Notes through gift or inheritance by a Portuguese resident legal person or a non-resident acting through a Portuguese permanent establishment is subject to Portuguese corporate tax at 21%, or 17% on the first EUR 15,000 in the case of small and medium-sized enterprises. A municipal surcharge ("*derrama municipal*") of up to 1.5% may also be due. A state surcharge ("*derrama estadual*") also applies at 3% on taxable profits in excess of EUR 1,500,000 and up to EUR 7,500,000, and at 5% on taxable profits in excess of EUR 7,500,000 up to EUR 35,000,000, and at 7% state on taxable profits in excess of EUR 35,000,000.

There is no wealth nor estate tax in Portugal.

#### *Non-resident holders without a Portuguese permanent establishment – General rules*

Interest and other types of investment income obtained by non-resident holders without a Portuguese permanent establishment to which the income is attributable is subject to withholding tax at 28% (individuals) or 25% (legal persons), which is the final tax on that income. The rate is 35% in the case of individuals or legal persons domiciled in a country, territory or region included in the "tax havens" list approved by Ministerial Order No. 150/2004, of 13 February 2004, as amended from time to time (hereafter "**Ministerial Order No. 150/2004**").

Interest and other investment income paid or made available ("*colocado à disposição*") to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35%, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Under the tax treaties entered into by Portugal, the withholding tax rate may be reduced to 15, 12, 10 or 5%, depending on the applicable treaty and provided that the relevant formalities (including certification of residence by the tax authorities of the beneficial owners of the interest and other investment income) are met. The reduction may apply at source or through the refund of the excess tax. The forms currently applicable for these purposes were approved by Order ("*Despacho*") No. 4743-A/2008 (2<sup>nd</sup> series), as rectified on 29 February 2008, published in the Portuguese official gazette, second series, No. 43, of 29 February 2008, of the Portuguese Minister of Finance and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

According to information provided by Euroclear and Clearstream, Luxembourg (the "**ICSDs**"), the ICSDs do not offer any tax relief to the holders of Notes (other than Book Entry Notes) issued by the Bank acting through its head office.

Interest paid to an associated company of the Bank which is resident in the European Union is exempt from withholding tax.

For these purposes, an "**associated company of the Bank**" is:

- (i) a company which is subject to one of the taxes on profits listed in Article 3(a)(iii) of Council Directive 2003/49/EC without being exempt, which takes one of the forms listed in the Annex to that Directive, which is considered to be resident in a Member State of the European Union and is not, within the meaning of a double taxation convention on income concluded with a third state, considered to be resident for tax purposes outside the European Community; and
- (ii) which holds a minimum direct holding of 25% in capital of the Bank, or is directly held by the Bank in at least 25% or which is directly held in at least 25% by a company which also holds at least 25% of the capital of the Bank; and
- (iii) provided that the holding has been maintained for an uninterrupted period of at least two years. If the minimum holding period is met after the date the withholding tax becomes due, a refund may be obtained.

The associated company of the Bank to which payments are made must be the beneficial owner of the interest, which will be the case if it receives the interest for its own benefit and not as an intermediary, either as a representative, a trustee or authorised signatory, for some other person.

Capital gains obtained on the disposal or the refund of the Notes by an individual non-resident in Portugal for tax purposes are subject to Portuguese capital gains taxation on the positive difference between such gains and gains on other securities and losses in securities. Tax applies at 28%. An exemption applies to non-resident

individuals, unless they are resident in a country, territory or region included in Ministerial Order No. 150/2004. It is, however, important to note that, although there are significant grounds to consider this exemption as currently applicable (notably because its effectiveness was extended in 2012 without term and it was amended in 2016, which would alone be an indication of it remaining in force until at least 2021), the Portuguese State Budget Law for 2017 does not include it among the tax benefits which period of application is extended; therefore, doubts may arise concerning the current applicability of this exemption. If the exemption does not apply, the gains will be subject to tax at 28%. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis. Accrued interest qualifies as interest for tax purposes.

Gains obtained on the disposal or the refund of Notes by a legal person non-resident in Portugal for tax purposes and without a permanent establishment in Portugal to which gains are attributable are exempt from Portuguese capital gains taxation, unless the share capital of the holder is (a) more than 25% directly or indirectly, held by Portuguese resident entities or (b) if the holder is resident in a country, territory or region subject to a clearly more favourable tax regime included in Ministerial Order No. 150/2004. Accrued interest qualifies as interest for tax purposes. It is, however, important to note that, although there are significant grounds to consider this exemption as currently applicable (notably because its effectiveness was extended in 2012 without term and it was amended in 2016, which would alone be an indication of it remaining in force until at least 2021), the Portuguese State Budget Law for 2017 does not include it among the tax benefits which period of application is extended; therefore, doubts may arise concerning the current applicability of this exemption. If the exemption does not apply, the gains will be subject to tax at 25%. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case by case basis.

No stamp tax applies to the acquisition through gift and inheritance of Notes by an individual who is not domiciled in Portugal.

The acquisition of Notes through gift or inheritance by a non-resident legal person is subject to corporate tax at 25%. Under the tax treaties entered into by Portugal, such gains are usually not subject to Portuguese tax, but the applicable rules should be confirmed on a case-by-case basis.

There is neither wealth nor estate tax in Portugal.

*Non-resident holders without a Portuguese permanent establishment – Notes held through a centralised control system*

The regime described above corresponds to the general tax treatment of investment income and capital gains on the Notes and to the acquisition through gift or inheritance of such Notes.

Nevertheless, pursuant to the Special Taxation Regime for Debt Securities approved by Decree-law No. 193/2005, of 7 November 2005, as amended from time to time (hereafter "**the special regime approved by Decree-law No. 193/2005**"), investment income and gains on the disposal of debt securities issued by Portuguese resident entities, such as the Notes, may be exempt from Portuguese income tax, provided that the debt securities are integrated in a centralised system managed by Portuguese resident entities (such as the Central de Valores Mobiliários, managed by Interbolsa), by other European Union or European Economic Area entities that manage international clearing systems (in the latter case if there is administrative co-operation for tax purposes with the relevant country which is equivalent to that in place within the European Union), or, when authorised by the member of the government in charge of finance (currently the Finance Minister), in other centralised systems and:

- (i) the beneficial owners have no residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; and
- (ii) the beneficial owners are central banks and government agencies, international organisations recognised by the Portuguese state, residents in a country or jurisdiction with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force or other non-resident entities which are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in Ministerial Order No. 150/2004.

The special regime approved by Decree-law No. 193/2005 sets out the detailed rules and procedures to be followed on the proof of non-residence by the holders of Notes to which it applies.

Under these rules, the direct register entity is to obtain and keep proof, in the form described below, that the beneficial owner is a non-resident entity that is entitled to the exemption. As a general rule, the proof of non residence should be provided to, and received by, the direct register entities prior to the relevant date for payment of any interest, or the redemption date (for Zero Coupon Notes), and, in the case of domestically cleared Notes, prior to the transfer of Notes, as the case may be.

The following is a general description of the rules and procedures on the proof required for the exemption to apply at source, as they stand on the date of this Base Prospectus.

**(a) Domestically Cleared Notes**

The beneficial owner of Notes must provide proof of non-residence in Portuguese territory substantially in the terms set forth below.

- (i) If a holder of Notes is a central bank, a public law entity or agency or an international organisation recognised by the Portuguese state, a declaration of tax residence issued by the holder of Notes, duly signed and authenticated or proof pursuant to sub-paragraph (iv) below;
- (ii) If the beneficial owner of Notes is a credit institution, a financial company, pension fund or an insurance company domiciled in any OECD country or in a country or jurisdiction with which Portugal has entered into a double taxation treaty, and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification; or (B) a certificate issued by the entity responsible for such supervision or registration confirming the legal existence of the holder of Notes and its domicile; or (C) proof of non-residence, pursuant to the terms of sub-paragraph (iv) below;
- (iii) If the beneficial owner of Notes is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty or a tax information exchange agreement in force, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation; or (B) proof of non-residence pursuant to the terms of sub-paragraph (iv) below;
- (iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities, or (B) a document issued by the relevant Portuguese consulate certifying residence abroad, or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable.

There are rules on the authenticity and validity of the documents mentioned in sub-paragraph (iv) above, in particular that the holder of Notes must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until three months after the date on which the withholding tax would have been applied and will be valid for a 3-year period starting on the date such document is issued. The holder of Notes must inform the register entity immediately of any change that may preclude the tax exemption from applying. In the other cases, proof of non-residence is required only once, the beneficial owner having to inform the register entity of any changes that impact the entitlement to the exemption.

**(b) Internationally Cleared Notes**

If the Notes are registered in an account with an international clearing system, prior to the relevant date for payment of any interest or the redemption date (for Zero Coupon Notes), the entity managing such system is to provide to the direct register entity or its representative the identification and number of securities, as well as the income and, when applicable, the tax withheld, itemised by type of beneficial owner, as follows:

- (i) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are not exempt from tax and are subject to withholding tax;

- (ii) Entities domiciled in a country, territory or region subject to a clearly more favourable tax regime included in Ministerial Order No. 150/2004 which are not exempt from tax and are subject to withholding tax;
- (iii) Portuguese resident entities or permanent establishments of non-resident entities to which the income is attributable which are exempt from tax and are not subject to withholding tax;
- (iv) Other non-Portuguese resident entities.

In addition, the international clearing system managing entity is to provide to the direct register entity in relation to each income payment, at least the following information concerning each of the beneficiaries mentioned in sub-paragraphs (i), (ii) and (iii) above: name and address, tax identification number, if applicable, identification of the securities held and amount thereof and amount of income.

No Portuguese exemption shall apply at source under the special regime approved by Decree-law No. 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for an exemption to apply are met, but, due to inaccurate or insufficient information, tax is withheld, a special refund procedure is available under the regime approved by Decree-law No. 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Notes within six months from the date the withholding took place.

The refund of withholding tax after the above six-month period is to be claimed to the Portuguese tax authorities within two years from the end of the year in which tax was withheld. The refund is to be made within three months, after which interest is due.

The forms currently applicable for the above purposes were approved by Order ("*Despacho*") No. 2937/2014 of the Portuguese Secretary of State for Tax Affairs, published in the Portuguese official gazette, 2nd series, No. 37, of 21 February 2014 and may be available for viewing and downloading at [www.portaldasfinancas.gov.pt](http://www.portaldasfinancas.gov.pt).

## **United Kingdom Taxation**

*The following is a summary of the Issuer's understanding of current United Kingdom tax law (as applied in England and Wales) and published HM Revenue and Customs' practice relating only to the United Kingdom withholding tax treatment of payments in respect of Notes and to whether the issue, transfer or redemption of a Note could be subject to United Kingdom stamp duty or stamp duty reserve tax. It does not deal with any other United Kingdom taxation implications of acquiring, holding, exercising or disposing or of the redemption of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

### ***Withholding taxes***

United Kingdom withholding taxes can apply to a number of different types of payments. Those which could be relevant to securities such as the Notes include: interest, annual payments and manufactured payments. As a general matter, the Issuer may make payments under the Notes without any deduction of or withholding on account of United Kingdom income tax if the payments do not have a United Kingdom source and they are not made by the Issuer in the course of a trade carried on in the United Kingdom through a branch or agency.

### ***Payments of interest on the Notes***

Whether or not payments or any part of any payment on a Note will constitute "interest" will depend upon, amongst other things, the terms and conditions of the Notes and the basis upon which amounts payable on the Notes are calculated.

Payments of interest on the Notes that does not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax. If interest paid on the Notes does have a United

Kingdom source, then payments may be made without deduction or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("**ITA 2007**"). The Irish Stock Exchange is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### *Annual Payments*

If a periodic payment on a Note were not "interest", and not repayment of principal, then such payment could constitute an "annual payment". Whether or not any periodic payment were to constitute an "annual payment" for these purposes will depend upon, amongst other things, the terms and conditions of the Notes and the basis upon which it is calculated.

Payments on a Note which constitute "annual payments" that do not have a United Kingdom source may be made without deduction or withholding on account of United Kingdom income tax.

An amount must generally be withheld from "annual payments" on Notes that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer that payments may be paid to the Noteholder without deduction of tax (or for payments to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### *Manufactured Payments*

Payments on the Notes should not constitute "manufactured payments" subject to any deduction of or withholding on account of United Kingdom income tax unless:

- (i) the Notes will or may settle by way of physical delivery;
- (ii) the assets which will or may be delivered are shares issued by a "company UK REIT" or the "principal company" of a "group UK REIT" (all bearing the same meaning as in section 918 ITA 2007) or securities (other than shares) issued by the United Kingdom government, a local or other public authority in the United Kingdom or any other United Kingdom resident body; and
- (iii) the payments are representative of dividends on those shares, or interest paid on those securities (as the case may be).

Payments on a Note which do constitute "manufactured payments" may in any event be made without deduction of or withholding on account of United Kingdom income tax unless the Issuer makes those payments in the course of a trade carried on in the United Kingdom through a branch or agency.

If such a "manufactured payment" were paid by the Issuer in the course of a trade carried on in the United Kingdom through a branch or agency then the Issuer may (subject to reliefs and exemptions) be required to

make a deduction of or withholding on account of United Kingdom income tax from such payment on account of United Kingdom income tax at the basic rate. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC may be able to issue a notice to the Issuer that payments may be paid to the Noteholder without deduction of tax (or for payments to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### ***Stamp duty and stamp duty reserve tax***

A charge to stamp duty or stamp duty reserve tax may, in certain circumstances, arise on the issue, transfer and/or redemption of Notes and stamp duty reserve tax may also be payable in relation to any agreement to transfer Notes. This will depend upon the terms and conditions of the relevant Notes. Noteholders should take their own advice from an appropriately qualified professional advisor in this regard.

### **Irish Taxation**

***The following is a summary of the Irish withholding tax treatment of the Notes. It is based on the laws and practice of the Revenue Commissioners of Ireland currently in force in Ireland as at the date of this Base Prospectus and may be subject to change. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under any laws applicable to them.***

#### **(a) Withholding Tax**

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source income. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes should not be treated as having an Irish source unless:

- The Issuer is resident in Ireland for tax purposes; or
- the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or
- the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (A) the Issuer is not and will not be resident in Ireland for tax purposes; (B) the Issuer will not have a branch or permanent establishment in Ireland; (C) that bearer Notes will not be physically located in Ireland; and (D) the Issuer will not maintain a register of any registered Notes in Ireland.

In any event, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act 1997 of Ireland for certain interest bearing securities ("**quoted Eurobonds**") issued by a body corporate (such as the Issuer) which are quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- (I) the person by or through whom the payment is made is not in Ireland; or
- (II) the payment is made by or through a person in Ireland, and either:

- (1) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear and Clearstream, Luxembourg are so recognised), or
- (2) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes are quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

(b) Taxation of Noteholders

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income or corporation tax (and, in the case of individuals, the universal social charge) on such interest if (i) such interest has an Irish source (as discussed in "*Withholding Tax*" above), (ii) the Noteholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there would also be a social insurance (PRSI) liability for an individual in receipt of interest on the Notes) or (iii) the Notes are attributed to a branch or agency in Ireland.

However, interest on the Notes will be exempt from Irish income tax if the recipient of the interest is resident in a relevant territory (a member state of the European Union (other than Ireland) or in a country with which Ireland has a comprehensive double taxation agreement) provided either (A) the Notes are quoted Eurobonds and are exempt from withholding tax as set out above, or (B) if the Notes are not or cease to be quoted Eurobonds exempt from withholding tax and the recipient of the interest is a company resident in a relevant territory that generally taxes foreign source interest.

Ireland operates a self-assessment system in respect of income and corporation tax and each person must assess its own liability to Irish tax.

(c) Withholding of Irish Encashment Tax

Payments on any Notes paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of Notes will be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent.), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Notes entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.



## TAXATION

### Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1st January, 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the grandfathering date, which (A) with respect to Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register and (B) with respect to Notes that give rise to a dividend equivalent pursuant to section 871(m) of the U.S. Internal Revenue Code of 1986, is 1st July 2017, or (in each case) which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Portugal have entered into an agreement (the "**U.S.-Portugal IGA**") based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the U.S.-Portugal IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in book entry form and held through Interbolsa or in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depository and common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in Interbolsa or the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that Bearer Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

## TAXATION

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

### *Hiring Incentives to Restore Employment Act*

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986, which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30 per cent. U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) or (ii). Recently published final U.S. Treasury regulations issued under Section 871(m) (the "**Section 871(m) Regulations**") will, when effective, require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as attributable to dividends from certain U.S. securities. Under the Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, as determined on the Note's issue date based on tests set forth in the Section 871(m) Regulations, will be subject to the Section 871(m) withholding regime (making such Note a "**Specified Note**"). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, in particular for instruments linked to certain broad-based indices.

Withholding in respect of dividend equivalents will generally be required when cash payments are made on a Specified Note or upon the date of maturity, lapse or other disposition by the non-U.S. holder of the Specified Note. If the underlying U.S. security or securities are expected to pay dividends during the term of the Specified Note, withholding generally will still be required even if the Specified Note does not provide for payments explicitly linked to dividends. If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

The Section 871(m) Regulations generally apply to Specified Notes issued on or after 1 January 2017. If the terms of a Note are subject to a "significant modification" (as defined for U.S. tax purposes) the Note generally would be treated as retired and reissued on the date of such modification for purposes of determining, based on economic conditions in effect at that time, whether such Note is a Specified Note. 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 IRS could treat the issue date for determining whether the existing Notes are Specified Notes as the date of such subsequent sale or issuance. Consequently, a previously grandfathered Note, or otherwise out of scope Note, might be treated as a Specified Note following such modification or further issuance.

The applicable Issue Terms will indicate whether the Issuer has determined that the applicable Notes are Specified Notes and will specify contact details for obtaining additional information regarding the application of Section 871(m) to the Notes. If the Notes are Specified Notes, a non-U.S. holder of such Notes should expect to be subject to withholding in respect of any dividend-paying U.S. securities underlying those Notes. The Issuer's determination is binding on non-U.S. holders of the Notes, but it is not binding on the IRS. The Section 871(m) Regulations require complex calculations to be made with respect to Notes linked to U.S. securities and their application to a specific issue of Notes may be uncertain.

**Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Notes.**

## TAXATION

### The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate. Joint statements by participating Member States indicated an intention to implement the FTT by 1 January 2016, which did not take place.

The Commission's Proposal has a very broad scope and could, if introduced, in its current proposed form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) 1287/2006 are expected to be exempt.

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

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

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

### Administrative co-operation in the field of taxation

Under EC Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the "**Savings Directive**"), EU Member States are required to provide to the tax authorities of other EU Member States details of payments of interest (or income deemed equivalent for these purposes) paid by a person within its jurisdiction to an individual resident in that other EU Member State. In this respect it should be noted that the Savings Directive, as amended by Council Directive 2014/48/EU, of 24 March 2014, was repealed by Council Directive 2015/2060, of 10 November 2015. The aim was the adoption of a single and more comprehensive co-operation system in the field of taxation in the European Union under Council Directive 2011/16/EU, of 15 February 2011. Notwithstanding the repeal of the Savings Directive as of 1 January 2016, certain provisions will continue to apply in Portugal for a transitional period.

The new regime under Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, of 9 December 2014, introduced the automatic exchange of information in the field of taxation concerning bank accounts and is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. This regime is generally broader in scope than the Savings Directive.

Under Council Directive 2014/107/EU, financial institutions are required to report to the tax authorities of their respective Member State (for the exchange of information with the state of residence) information regarding bank accounts, including depository and custodial accounts, held by individual persons residing in a different Member State or entities which are controlled by one or more individual persons residing in a different Member State, after having applied the due diligence rules foreseen in the Council Directive. The information refers not only to personal information such as name, address, state of residence, tax identification number and date and place of birth, but also to the account balance at the end of the calendar year, and (a) in case of depository accounts, the total gross amount of interest paid or credited to the account during the calendar year; or, (b) in the case of custodial accounts, the total gross amount of interest, dividends and any other income generated, as well as the proceeds from the sale or redemption of the financial assets paid or credited in the account during the

## **TAXATION**

calendar year to which the financial institution acted as custodian, broker, nominee, or otherwise as an agent for the account holder, among others.

Portugal has implemented Directive 2011/16/EU through Decree-Law No. 61/2013, of 10 May 2013. Also, Council Directive 2014/107/EU was implemented through Decree-Law No. 64/2016 of 11 October 2016.

## CLEARING AND SETTLEMENT

### CLEARING AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Clearstream, Luxembourg, Euroclear or Interbolsa (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Arranger nor any of the Dealers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, any agent party to the Agency Terms, the Arranger or any of the Dealers will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

#### **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

#### **Book Entry Notes Held Through Interbolsa**

##### *General*

Interbolsa holds security through a centralised system ("*sistema centralizado*") composed by interconnected securities accounts, through which such securities (and inherent rights) are held and transferred, and which allows Interbolsa to control at all times the amount of securities so held and transferred. Issuers of securities, financial intermediaries, the Bank of Portugal, Caixa Geral de Depósitos, S.A. and Interbolsa, as the controlling entity, all participate in such centralised system.

The centralised securities system of Interbolsa provides for all procedures required for the exercise of ownership rights inherent to the Book Entry Notes held through Interbolsa.

In relation to each issue of securities, Interbolsa's centralised system comprises, inter alia, (i) the issue account, opened by the relevant issuer in the centralised system and which reflects the full amount of issued securities; and (ii) the control accounts opened by each of the financial intermediaries which participate in Interbolsa's centralised system, and which reflect the securities held by such participant on behalf of its customers in accordance with its individual securities accounts.

Book Entry Notes held through Interbolsa will be attributed an International Securities Identification Number (ISIN code) through the codification system of Interbolsa. These Book Entry Notes will be accepted and registered with Central de Valores Mobiliários, the centralised securities system managed and operated by Interbolsa and settled by Interbolsa's settlement system.

## CLEARING AND SETTLEMENT

### *Form of the Book Entry Notes held through Interbolsa*

The Book Entry Notes of each Series will be in book entry form and title to the Book Entry Notes will be evidenced by book entries in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM and Interbolsa regulations. No physical document of title will be issued in respect of Book Entry Notes held through Interbolsa.

The Book Entry Notes of each Series will be registered in the relevant issue account opened by the Issuer with Interbolsa and will be held in control accounts by each Interbolsa Participant (as defined below) on behalf of the holders of the Book Entry Notes. Such control accounts reflect at all times the aggregate of Book Entry Notes held in the individual securities accounts opened by the holders of the Book Entry Notes with each of the Interbolsa Participants. The expression "**Interbolsa Participant**" means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of their customers and includes any depositary banks appointed by Euroclear and Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Each person shown in the records of an Interbolsa Participant as having an interest in Book Entry Notes shall be treated as the holder of the principal amount of the Book Entry Notes recorded therein.

### *Payment of principal and interest in respect of Book Entry Notes held through Interbolsa*

Whilst the Book Entry Notes are held through Interbolsa, payment of principal and interest in respect of the Book Entry Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the accounts used by the Interbolsa Participants for payments in respect of securities held through Interbolsa and thereafter (ii) credited by such Interbolsa Participants from the aforementioned accounts to the accounts of the owners of those Book Entry Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Book Entry Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

### *Transfer of Book Entry Notes held through Interbolsa*

Book Entry Notes held through Interbolsa may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Book Entry Notes. No owner of Book Entry Notes will be able to transfer such Book Entry Notes, except in accordance with Portuguese Law and the applicable procedures of Interbolsa.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

### SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealer(s) have, in a set of programme terms (as further modified and/or supplemented and/or restated from time to time, the "**Programme Terms**") dated 3 March 2017 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of Notes*" and "*Terms and Conditions of the Notes*". In the Programme Terms, the Issuer has agreed to reimburse the Dealer(s) for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealer(s) against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail for a limited period after the Issue Date. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilisation or other transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Under UK laws and regulations stabilisation activities may only be carried on by the Stabilisation Manager named in the Issue Terms (or persons acting on its behalf) and may only continue for a limited period following the Issue Date (or, if the ending day would be earlier, 60 days after the date of allotment) of the relevant Tranche of Notes.

#### **Selling Restrictions**

##### **United States**

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold, pledged, assigned, delivered or otherwise transferred, exercised or redeemed, at any time, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). Each Dealer (1) has acknowledged that the Notes have not been and will not be registered under the Securities Act, or any securities laws of any state or other jurisdiction in the United States, and the Notes are not being offered, sold or delivered and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons; (2) has represented, as a condition to acquiring any interest in the Notes, that neither it nor any persons on whose behalf or for whose account or benefit the Notes are being acquired is a U.S. Person, that it is not located in the United States, and was not solicited to purchase Notes while present in the United States; (3) has agreed not to offer, sell or deliver any of the Notes, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person; and (4) has agreed that, at or prior to confirmation of sale of any Notes (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it a written notice containing language substantially the same as the foregoing. As used herein, "United States" means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Dealers have represented and agreed that they have not offered or sold Notes and will not offer or sell Notes *at any time* except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Dealers have represented and agreed that neither they, their affiliates (if any) nor any person

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

acting on behalf of any of them has engaged or will engage in any directed selling efforts with respect to Notes, and they have all complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them in Regulation S.

An offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act. The Notes in bearer form for U.S. federal income tax purposes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Issue Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### European Union

#### *Public Offer Selling Restriction under the Prospectus Directive*

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:



## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

- the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EC), and includes any relevant implementing measure in the Relevant Member State.

### Portugal

Each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code ("*Código dos Valores Mobiliários*") enacted by Decree Law No. 486/99, of 13 November 1999, as amended, unless the requirements and provisions applicable to the public offerings in Portugal are met and the registration or approval by the Portuguese Securities Market Commission ("*Comissão do Mercado de Valores Mobiliários*") (the "**CMVM**") or a recognition procedure is made with the CMVM. In addition, each Programme Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer ("*oferta pública*") of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes to the public in Portugal other than in compliance with all applicable provisions of the Portuguese Securities Code, any regulations implementing the Prospectus Directive, and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having a permanent establishment located in Portuguese territory, as the case may be including the publication of a base prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

## GENERAL INFORMATION

### GENERAL INFORMATION

#### 1. Authorisation

The establishment and/or update of the Programme have been duly authorised by resolution of the Executive Committee of the Board of Directors of the Issuer dated 13 December 2016.

#### 2. Listing of Notes

Application has been made to the Irish Stock Exchange for the Notes issued under the Programme during the period of twelve months after the date of this Base Prospectus to be admitted to the Official List and to trading on its Main Securities Market.

This Base Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

#### 3. Documents Available

For so long as any Notes remain outstanding and listed on the Irish Stock Exchange, copies of the following documents will, when published, be available in physical format for inspection at the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the published audited consolidated financial statements of the Banco Comercial Português Group in English and auditors' report contained in the Bank's Annual Report for the two financial years ended on 31 December 2014 and 31 December 2015;
- (c) the most recently available audited consolidated financial statements of the Banco Comercial Português Group contained in the Bank's Annual Report and the most recently available published unaudited interim statements of the Bank;
- (d) the Agency Terms, the Instrument and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future base prospectus, prospectuses, information memoranda and supplements, including Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

The information mentioned in paragraphs (a) and (c) above represent an accurate translation from their original Portuguese forms. In the event of a discrepancy, the original Portuguese version will prevail.

#### 4. Clearing Systems

In the event that Bearer Notes are issued, application will be made to Euroclear and Clearstream, Luxembourg for such Bearer Notes to be accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN for each Tranche of Bearer Notes allocated by Clearstream, Luxembourg and Euroclear will be specified in the applicable Final Terms.

## GENERAL INFORMATION

The Book Entry Notes will be accepted for clearance through Interbolsa. The appropriate ISIN for each Tranche of Book Entry Notes will be specified in the applicable Final Terms.

If the Notes are to clear through an additional or alternative Clearing System the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The address of Interbolsa is Avenida da Boavista, 3433-4100 Oporto.

### 5. Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### 6. Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the Issue Price and on the assumption that the Notes are not subject to early redemption or cancellation or, if applicable, no Credit Event occurs. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

### 7. Significant or Material Change

Except for the Rights Offering, there has been no significant change in the financial or trading position of the Banco Comercial Português Group since 30 September 2016. There has been no material adverse change in the prospects of the Issuer or Banco Comercial Português Group since the date of the last audited annual accounts, 31 December, 2015.

### 8. Litigation

1. On 27 December 2007, the Bank was notified by Banco de Portugal of administrative proceeding No. 24/07/CO, with respect, in accordance with the accusation of which the Bank was notified on 12 December 2008, to six alleged breaches of accounting rules and three alleged provisions of false or incomplete information to Banco de Portugal, and timely submitted its defence. On 12 May 2010, the Bank was notified of the decision by the Board of Directors of Banco de Portugal, applying to the Bank a single fine of EUR 5 million, for all the mentioned alleged infractions, in addition to fines against certain other non-acquitted individuals. The Bank appealed this decision to Tribunal de Pequena Instância Criminal de Lisboa.

Following several intermediate decisions and appeals (namely, an intermediate decision that considered expired two alleged administrative offences concerning breach of accounting rules), by a ruling of Lisbon's Court of Appeal, of 9 June 2015, BCP's appeal was granted partial approval and, consequently, some of the charges concerning the alleged provision of false information to Banco de Portugal were considered expired and BCP was considered acquitted on the remaining charges concerning the same alleged administrative offence (which were not considered expired). Furthermore, BCP was also acquitted from two alleged administrative offences concerning breach of accounting rules. Lisbon's Court of Appeal maintained BCP's conviction on the account of two other administrative offences concerning breach of accounting rules. Thereafter, Lisbon's Court of Appeal reduced the fine in which BCP had been convicted by Tribunal de Pequena Instância Criminal de Lisboa (EUR 4,000,000) to EUR 750,000. The Bank and one of the defendants (individual) appealed

## GENERAL INFORMATION

this judgment to the Constitutional Court but these appeals were denied. The judgment of the Lisbon Court of Appeal has become definitive and final.

2. In July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the abovementioned facts, and to present in this process a request for an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the abovementioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation claiming: (i) the recognition of its right, in a later period namely following the final identification of the facts, to present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8ª Vara Criminal de Lisboa (Lisbon criminal court section) that recognised that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal of the first instance Court's sentence.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended prison sentences (to 2 years) and to the payment of fines amounting to EUR 300,000 and EUR 600,000, disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper.

By ruling of Lisbon's Court of Appeal of 25 February 2015, the sentence issued by the Lisbon criminal court section was confirmed. This decision has become definitive and final.

3. In December 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, has filed an action for EUR 75,735,026.50 against the Bank in order to obtain (i) the acknowledgement that a loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a debt related represented by a promissory note (held by the company) acting as security. The Bank believes that, having in consideration the facts argued by the plaintiff, the suit shall be deemed unfounded.

One of the plaintiff's creditors has filed an insolvency requirement regarding the plaintiff, having the Bank claimed credits in the amount of EUR 82,253,962.77, which has caused the suspension of the abovementioned action.

4. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted in the Bank's premises, as well as to at least eight other credit institutions, where documentation was seized in order to investigate allegations of exchange of privileged commercial information among Portuguese banks.

The Portuguese Competition Authority has declared the administrative proceeding to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process. On 2 June 2015, the Bank was notified of the Portuguese Competition Authority's notice of illegality in connection with the

## GENERAL INFORMATION

administrative offence no. 2012/9, by which the Bank is accused of participating in an information exchange between banks of the system related to prices already approved and housing and consumer credit operations already granted or approved. In light of the accusations, the Bank will file a response to the note of illegality, to which may follow a judicial appeal. Note that the notification of a note of illegality does not constitute a final decision in relation to the accusations. If the Portuguese Competition Authority issues a conviction decision, the Bank may be convicted according to the terms foreseen in the law to pay a fine with a maximum limit of 10% of its annual consolidated turnover with reference to the year preceding the decision. However, judicial appeal against such decision is possible. In October 2016, the Lisbon Court of Appeals overruled an earlier decision by the Competition, Regulation and Supervision Court to suspend the Competition Authority's investigation.

In November 2016, the Competition Authority stated that it had reopened its investigation.

5. On 20 October 2014, the Bank became aware of a class action brought against Millennium Bank by a group of borrowers represented by the Municipal Consumer Ombudsman in Olsztyn. As other Polish banks in a similar situation, Millennium Bank was in the meantime notified of such class action, which seeks to assess the institution's "illicit" enrichment giving certain clauses contained in the mortgage loan agreements denominated in Swiss francs. In the referred class action, clients have questioned a set of those agreement's clauses, notably those related with the spread bid-offer between Polish zloty and Swiss francs applicable in the conversion of credits. On 28 May 2015, the Regional Court of Warsaw issued a decision rejecting the class action on the grounds that the case cannot be heard in class action proceedings. The decision of the Regional Court of Warsaw is not final. On 3 July 2015, the claimants filed an appeal against this decision and the Court of Appeal upheld the appeal by refusing the dismissal of the claim.

On 31 March 2016, the Regional Court in Warsaw issued a decision dismissing the Bank's motion for a security deposit to secure litigation costs. On 6 April 2016, the Bank filed an appeal against this decision.

On 17 February 2016, the claimant filed a submission with the Regional Court in Warsaw, extending the claim again to include 1,041 group members. Bank Millennium has not yet been notified of this submission.

On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of action proceedings. Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in the group action proceedings. On 31 August 2016, the Bank appealed this decision. Currently, the issue of whether the case may be heard in group action proceedings is awaiting resolution by the Court of Appeal.

On 3 December 2015, Bank Millennium Poland received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF-indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million (EUR 0.81 million considering the exchange rate EUR/PLN 4.3192 at 30 September 2016) claiming for some clauses of the agreements pertaining to low down-payment insurance to be declared null and void. The Bank already contested the claim, demanding that the lawsuit be dismissed. The first hearing took place on 13 September 2016, the Court having ruled that the proceedings were admitted. The Bank will appeal this decision.

On 28 December 2015 and 5 April 2016, Bank Millennium was notified of two cases filed by clients in the amount of PLN 150 million and of PLN 521.9 million respectively. The claimants alleged in their claims that Bank Millennium misrepresented certain contractual clauses, which determined the maturity of the credits, causing losses to the claimants. A decision by the Warsaw Regional Court is currently pending.

## GENERAL INFORMATION

In both cases, the Bank is requesting complete dismissal of the suite, stating disagreement with the charges raised in the claims. Favourable forecasts for the Bank, as regards dismissal of both suits, have been confirmed by a renowned law firm representing the Bank in both proceedings.

6. In October 2015, a set of companies connected to a group which has debts in default towards the Bank in the amount of approximately EUR 170 million, resulting from a financing agreement entered into in 2009 – such debts having been fully provisioned for in the Bank's accounts –, brought a judicial proceeding against the Bank, after having received a notification from the Bank enforcing payment of such debts. In the judicial proceedings it is envisaged:
- (a) to deny the obligation of payment of those debts, by arguing the voidness and nullity of the respective agreement, but without the correspondent obligation of returning the amounts received;
  - (b) that the Bank is also convicted to bear the amounts of approximately EUR 90 million and EUR 34 million related to other debts contracted by those entities with other banking institutions, as well as the amounts, in a total sum of approximately EUR 26 million, that the debtors would have already paid in the context of the respective financing agreements; and
  - (c) to declare that the Bank is the owner of the object of the pledges associated with said financing agreements, which corresponds to approximately 340 million shares of the Bank itself, allegedly acquired at the request of, on behalf of and in the interest of the Bank.

The Bank has filed its defense and counterclaim, reinforcing the demand for payment of the debt. The Claimants filed their statements of defense regarding the counterclaim filed by the Bank and the Bank replied to those statements in July 2016.

Save as disclosed in this section entitled "Litigation" there are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer or the Group.

## 9. Auditors

The current auditors of the Bank are Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A. ("**Deloitte**") (which is a member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), with registered office at Av. Eng. Duarte Pacheco, 7, 1070-100 Lisbon.

The former auditors of the Bank were, KPMG & Associados, SROC, S.A. (which is a member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), with registered office at Edifício Monumental, Av. Praia da Vitória 71 - A, 11º, 1069-006 Lisbon. KPMG & Associados, SROC, S.A.'s term of office ended on 2 May 2016, when the 1st quarter's financial statements were presented to the Board of Directors.

The consolidated financial statements of the Banco Comercial Português Group for the financial years ended on 31 December 2014 and 31 December 2015 were prepared in accordance with IFRS. The financial statements of the Banco Comercial Português Group were audited in accordance with IAS for each of the two years ended 31 December 2014 and 31 December 2015 by KPMG & Associados, SROC, S.A., independent certified public accountants and a member of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*").

## **GENERAL INFORMATION**

All financial information in this Base Prospectus relating to the Bank for the years ended on 31 December 2014 and 31 December 2015 has been extracted without material adjustment from the audited financial statements of the Bank for the financial years then ended.

### **10. Post-issuance information**

Save as set out in the Final Terms, the Issuer does not intend to provide and post-issuance information in relation to any issues of Notes.

### **11. Dealer transacting with the Issuer**

The Issuer and the Dealer are the same entity. Accordingly, the Issuer and the Dealer engage, and will engage, in investment banking and/or commercial banking transactions with, and perform other services for, the Group in the ordinary course of business.

**ISSUER**

**Banco Comercial Português, S.A.**

Praça Dom João I, 28  
4000-295 Oporto  
Portugal

**DEALER**

**Banco Comercial Português, S.A.**

Avenida Prof. Dr. Cavaco Silva (Tagus Park)  
Building 2, Floor 2-Wing A  
2744-002 Porto Salvo  
Portugal

**PORTUGUESE PAYING AGENT**

**Banco Comercial Português, S.A.**

Avenida Dr. Mário Soares (Tagus Park)  
Building 7, Floor 1-Wing B  
2744-005 Porto Salvo  
Portugal

**CALCULATION AGENT AND DELIVERY  
AGENT**

**Banco Comercial Português, S.A.**

Praça Dom João I, 28  
4000-295 Oporto  
Portugal

**LEGAL ADVISERS**

*To the Issuer  
as to Portuguese law*

**Morais Leitão, Galvão Teles, Soares da Silva &  
Associados, Sociedade de Advogados, SP, RL**  
Rua Castilho, 165  
1070-050 Lisbon

*To the Dealer  
as to the laws of England and Wales*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom