

PROSPECTUS

ARLO XII Limited

(Incorporated with limited liability in the Cayman Islands)

Series 2012 (CLN-7)

JPY 1,000,000,000 Secured Limited Recourse Credit-Linked Notes due 27 June 2017

This Prospectus incorporates by reference (i) the contents of the Base Prospectus dated 21 September 2012 (the “**Base Prospectus**”) in relation to the U.S.\$ 5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the “**Programme**”) of ARLO XII Limited (the “**Issuer**”), save for the section entitled “Terms and Conditions of the Notes” at pages 32 to 139 (inclusive); and (ii) the section entitled “Terms and Conditions of the Notes” at pages 27 to 132 (inclusive) of the Base Prospectus of the Issuer dated 27 June 2011 in relation to the Programme (the “**2011 Base Prospectus**”). The non-incorporated parts of the Base Prospectus and the 2011 Base Prospectus are either not relevant for the investor or covered elsewhere in this Prospectus.

This Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under the Prospectus Directive 2003/71/EC (as amended by Directive 2010/73/EU) (the “**Prospectus Directive**”). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Unless the context otherwise requires, terms defined in the Base Prospectus have the same meanings when used in this Prospectus.

Application has been made to the Irish Stock Exchange Limited (the “**Irish Stock Exchange**”) for the Notes to be admitted to the Official List and trading on its regulated market. Such market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

This document constitutes a Prospectus for the purposes of the Prospectus Directive.

This Prospectus has been prepared for the purpose of giving information about the issue of the Series 2012 (CLN-7) JPY 1,000,000,000 Secured Limited Recourse Credit-Linked Notes due 27 June 2017 of the Issuer (the “**Notes**”).

The terms and conditions set out below should be read in conjunction with the Terms and Conditions set out in the 2011 Base Prospectus.

The date of this Prospectus is 22 November 2012.

Arranger

BARCLAYS BANK PLC

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RISK FACTORS

The following is a description of certain aspects of the issue of the Notes of which any prospective purchaser of the Notes should be aware, but it is not intended to be exhaustive and any prospective purchaser of the Notes should also read the detailed information set out elsewhere in this document and the other documents relating to the Notes and take their own tax, legal and other relevant advice as to the advisability, structure and viability of their investment. In particular, the attention of prospective purchasers of the Notes is drawn to “Investor Suitability” and “Risk Factors” in the Base Prospectus.

General

Credit Considerations

Prospective purchasers of Notes should take into account, when making a decision as to whether or not to invest in the Notes, that the timing of redemption of the Notes, the amount due to be paid and/or delivered upon redemption of the Notes and the timing and the amount of any interest and principal due on the Notes is dependent on the performance of the Charged Assets and the Charged Agreement.

Security

There can be no assurance that the amount payable to the Noteholders on any early redemption of the Notes or upon enforcement of the security for the Notes will be equal to the Issue Price or the outstanding Principal Amount of the Notes. Any shortfall in payments due to the Noteholders will be borne in accordance with the Priority of Payments specified in Paragraph 4 of “Conditions of the Notes”, and any claims of the Noteholders remaining after a mandatory redemption of the Notes or a realisation of the security and application of the proceeds as aforesaid shall be extinguished. None of the Programme Parties or the obligors under the Collateral (other than the Issuer) has any obligation to Noteholders for payment of any amount owing by the Issuer in respect of the Notes.

Custody Arrangements

The Issuer and the Trustee have appointed the Custodian to hold the Charged Assets on their respective behalfs in accordance with the Custody Agreement, and the Custodian has appointed the Sub-Custodian to hold the Charged Assets that comprise any bonds issued by the Government of Japan in the Alternative Clearing System in accordance with the Sub-Custody Arrangements. The Issuer has no direct contractual relationship with the Sub-Custodian, and the Custodian has not created security over its rights against the Sub-Custodian in favour of the Issuer. Accordingly, in the event that the Trustee enforces its security, it will have no direct rights against the Sub-Custodian or the Alternative Clearing System for delivery of the Charged Assets that comprise any bonds issued by the Government of Japan, but rather will be relying on the rights it has against the Custodian for such delivery.

Prospective purchasers of the Notes should undertake their own due diligence as to the impact of these custodial arrangements upon the enforceability of the security interests purported to be created by the Pledge Agreement (as defined below).

Expenses

All payments of anticipated costs and expenses of the Issuer in connection with the issue of Notes have been, or will be, met by the Arranger pursuant to the Programme Expenses Letter and the Series Expenses Letter (each as defined below). To the extent that any unanticipated or extraordinary costs and expenses of the Issuer which are payable by the Issuer arise in connection with the Notes or otherwise and such costs and expenses are not paid by the

Arranger (or are not otherwise payable by the Arranger pursuant to the Programme Expenses Letter and the Series Expenses Letter), the Issuer may have no available funds to pay such costs and expenses and there is a risk that it might become insolvent as a result thereof.

Credit Ratings

Credit ratings of debt securities represent a rating agency's opinion regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the probability of payment of interest and repayment of principal from the sources of collateral securing the Notes but do not evaluate the risks of fluctuations in market value. Nor are all risks in respect of the Notes susceptible of analysis under rating methodologies. Accordingly, credit ratings are not a recommendation to purchase, hold or sell the Notes, do not provide assurance as to market price or suitability for a particular investor and may not fully reflect the true risks of an investment.

Model Risk

The models, assumptions, criteria and methodology used by a rating agency to rate the Notes may change from time to time and any such changes may also result in the revision, suspension or withdrawal of any rating of the Notes. None of the Issuer and the Programme Parties makes any representation or gives any warranty in respect of such models, assumptions, criteria or methodology. Accordingly, investors will not have any recourse against the Issuer or any of the Programme Parties for any adverse ratings actions and no such person is obliged to provide any additional support or credit enhancement in respect of the Notes as a result thereof.

Migration

There is no assurance that any rating in respect of the Notes will remain for any given period of time or that any rating will not be revised, suspended or withdrawn entirely by a rating agency if in such rating agency's judgment circumstances so warrant. Also, in respect of any rating assigned to a Reference Entity or Reference Obligation (each as defined in the Charged Agreement), rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that the financial condition of the Reference Entity or other obligor in respect of a Reference Obligation may be better or worse than its rating indicates.

Secondary Market Trading

Under normal market conditions, Barclays Bank PLC or its affiliates may purchase the Notes in the secondary market and, upon request by a Noteholder, may, within a reasonable time, provide secondary market prices during the term of the Notes. Such prices may be subject to change by the time of any such purchase. The minimum transaction size for a secondary market purchase is JPY 100,000,000. The Notes cannot be partially sold.

The Notes as Credit-Linked Notes

Exposure to the Reference Entity and Reference Obligation

The Notes do not represent a claim against the Reference Entity and, in the event of any loss, the Noteholders will not have recourse under the Notes to the Reference Entity. However, the Noteholders will be exposed to the credit risk of the Reference Entity and any Reference Obligation (as defined in the Charged Agreement). The likelihood of a Credit Event (as defined in the Charged Agreement) occurring in respect of a Reference Entity will generally fluctuate with, among other things, the financial condition of such Reference Entity, together with general economic conditions, the conditions of certain financial markets, political events, developments or trends in particular industries and changes in prevailing market rates.

Risk of Loss

The Noteholders bear the risk of loss in relation to the Reference Entity and any Reference Obligation and in relation to the Charged Assets. Noteholders should note that such risk is borne from 30 May 2012, notwithstanding that this date precedes the Issue Date of the Notes. If a Credit Event or a Bond Redemption Event (each as defined in the Charged Agreement) occurs, the Notes will be redeemed (in the manner more particularly described in the Notes) and the Issuer will (subject as provided herein) pay to the Noteholders the Adjusted Principal Amount (in the case of a Credit Event) and pay to the Noteholders the Bond Redemption Amount (as defined in the Charged Agreement) (in the case of a Bond Redemption Event) (each as defined herein). The Adjusted Principal Amount and/or Bond Redemption Amount may be substantially less than par, or even zero and therefore the Noteholders may receive on such redemption less than their initial investment. In addition, the amount of interest payments will be adversely affected. If a Credit Event or a Bond Redemption Event occurs interest due on the Notes will cease to accrue from and including the Event Determination Date or the Bond Event Notice Delivery Date Notice (each as defined in the Charged Agreement) in respect of such Credit Event or Bond Redemption Event.

Exposure to default or early termination under Charged Agreement

Upon the occurrence of an Event of Default or Termination Event (each as defined in the Charged Agreement) under the Charged Agreement, the Notes shall fall due for early redemption by applying the net proceeds of enforcement of the security in accordance with the Conditions, which may have a market value substantially less than par or even zero, and therefore in such circumstances, the Noteholders may receive on redemption an amount which is equal to less than the outstanding Principal Amount of the Notes.

No Obligation to Make Good on Losses

Neither the Issuer nor any of the Programme Parties guarantees the performance of or otherwise stands behind the Reference Entity or any Reference Obligation, the issuer or obligor of the Charged Assets or the Charged Assets and is not obligated to make good on any losses suffered by the Noteholders as a result of Credit Events with respect to the Reference Entity or any Reference Obligation or as a result of Bond Redemption Events with respect to the issuer or obligor of the Initial Charged Assets or the Initial Charged Assets.

Limited Recourse

All payments to be made by the Issuer in respect of the Notes will only be due and payable from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer or the Trustee in respect of the Collateral in respect of such Notes. To the extent that such sums are less than the amount which the holders of the Notes expected to receive (the difference being referred to herein as a “**shortfall**”), such shortfall will be borne, following enforcement of the security for the Notes, first by the Noteholders and then by the Swap Counterparty, in accordance with the order of priorities on enforcement specified in Condition 4(d). Each holder of Notes by subscribing for or purchasing such Notes will be deemed to accept and acknowledge that it is fully aware that: (i) the holders of the Notes shall look solely to the sums referred to in the first sentence of this section, as applied in accordance with the order of priorities referred to in the second sentence of this section (the “**Relevant Sums**”), for payments to be made by the Issuer in respect of such Notes; (ii) the obligations of the Issuer to make payments in respect of such Notes will be limited to the Relevant Sums and the holders of such Notes shall have no further recourse to the Issuer (or any of its rights, assets or properties), the Swap Counterparty or any other Programme Party or person and, without limiting the generality of the foregoing, any right of the holders of such Notes to claim payment of any amount exceeding the Relevant Sums shall be automatically extinguished; and (iii) the holders of such Notes shall not be entitled to petition for the winding up of the Issuer as a consequence of any such shortfall or otherwise.

No Guarantee of Performance

None of the Programme Parties is obligated to make payments on the Notes, and none of them guarantees the value of the Notes or is obliged to make good on any losses suffered as a result of an investment in the Notes. Investors must rely solely on the relevant Collateral for payment under the Notes. There can be no assurance that amounts received by the Issuer from the Collateral will be sufficient to pay all amounts when due if at all. Neither the Issuer nor any of the Programme Parties will have any liability to the holders of any Notes as to the amount, or value of, or any decrease in the value of, the relevant Collateral.

Synthetic Exposure

The Issuer does not own any of the Reference Obligation(s) and the Swap Counterparty is not obligated to own any Reference Obligation or have any credit exposure to the Reference Entity. The Issuer and the Swap Counterparty need not suffer any loss in order for a Credit Event to exist. The Notes do not represent a claim against the Reference Entity and, in the event of any loss, Noteholders do not have recourse under the Notes to the Reference Entity.

Swap Counterparty Discretion

The Swap Counterparty will be entitled to determine in its sole and absolute discretion when and whether to deliver a Credit Event Notice and Notice of Publicly Available Information, and any delay or forbearance in delivering any such notices following the occurrence of any event or condition permitting the same is not and shall not be construed as a waiver of any such right and shall not affect the right of the Swap Counterparty to give any such notice at any time thereafter.

Independent Review and Advice

Each prospective purchaser of the Notes is responsible for its own independent appraisal of and investigation into the business, financial condition, prospects, creditworthiness, status and affairs of the issuer or obligor of the Initial Charged Assets, the Reference Entity, the Reference Obligation or any obligations of the Reference Entity, as well as the risks in respect of the Notes and their terms, including, without limitation, any tax, accounting, credit, legal and regulatory risks.

A prospective purchaser of the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk that it is capable of evaluating the merits, risks and suitability of investing in such Notes including any credit risk associated with the issuer or obligor of the Initial Charged Assets, the Reference Entity and the Issuer. None of the Issuer or any of the Programme Parties will have any responsibility or duty to make any such investigations, to keep any such matters under review or to provide the prospective purchasers of the Notes with any information in relation to such matters or to advise as to the attendant risks. See also the section entitled "Investor Suitability" in the Base Prospectus.

Although the Swap Counterparty and/or its affiliates may have entered into and may from time to time enter into business transactions with the issuer of the Charged Assets or the Reference Entity, the Swap Counterparty and/or its affiliates at any time may or may not hold obligations of or have any business relationship with the issuer of the Charged Assets or any particular Reference Entity.

No Representations

None of the Issuer, any of the Programme Parties or any of their respective affiliates will have made any investigation of, or makes any representation or warranty, express or implied, as to the issuer of the Initial Charged Assets or the Reference Entity (including, without limitation, with regard to their respective financial condition or creditworthiness) or any Initial Charged Assets or any Reference Obligation or any obligation of the Reference Entity or any information contained

in any documents provided by the issuer of the Initial Charged Assets or by the Reference Entity, respectively, to any of them or to any other person or filed by the issuer of the Initial Charged Assets or by the Reference Entity with any exchange or with any governmental entity regulating the offer and sale of securities.

In particular, none of the Issuer, any of the Programme Parties or any of their respective affiliates will have made any investigation of, or makes any representation or warranty, express or implied, as to:

- (1) the existence or financial or other condition of the issuer of the Initial Charged Assets or the Reference Entity; or
- (2) whether the relevant Obligations and/or the Reference Obligations (each as defined in the Charged Agreement) and Specified Reference Obligation(s), or the Initial Charged Assets, constitute legal, valid and binding obligations of the Reference Entity or the issuer or obligor of the Initial Charged Assets, respectively.

Conflicts of Interest

The Issuer, the Programme Parties and any of their respective affiliates may deal in any obligation, including the Charged Assets, other obligations of the issuer of the Charged Assets and any obligation of the Reference Entity or its affiliates, and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with the issuer of the Charged Assets and the Reference Entity, its affiliates, any other person or entity having obligations relating to the issuer of the Charged Assets, the Reference Entity or its affiliates and may act with respect to such business in the same manner as if any Notes issued hereunder did not exist, regardless of whether any such action might have an adverse effect (including, without limitation, any action which might give rise to an event of default or a Credit Event) on the issuer of the Charged Assets or the Reference Entity and/or its affiliates. Various potential and actual conflicts of interest may arise between the interests of the Noteholders, on the one hand, and some or all of the Issuer, the Programme Parties and any of their respective affiliates, on the other hand. None of the Issuer, the Programme Parties nor any of their respective affiliates is required to resolve such conflicts of interest in favour of the Noteholders and may pursue actions and take such steps that it deems necessary or appropriate to protect its interests without regard to the consequences for the Noteholders. In particular, the interests of the Swap Counterparty may be adverse to those of the Noteholders. The terms of the Notes and the Charged Agreement provide the Swap Counterparty with certain discretions which it may exercise without any regard for the interests of the Noteholders.

Provision of Information

The Issuer, the Programme Parties and any of their respective affiliates, whether by virtue of the types of relationships described herein or otherwise, may possess information in relation to the issuer of the Charged Assets, the Reference Entity, any Reference Obligation, any obligation of the Reference Entity, any affiliate of the Reference Entity or any guarantor that is or may be material in the context of these Notes and that may or may not be publicly available or known. The Notes will not create any obligation on the part of any of the Issuer, the Programme Parties and any of their respective affiliates to disclose any such relationship or information (whether or not confidential). None of the Issuer, the Programme Parties or any of their respective affiliates makes any representation as to the credit quality of the Charged Assets, the issuer of the Charged Assets, the Reference Entity, the Reference Obligation or any obligation of the Reference Entity. The information contained herein in relation to the Initial Charged Assets, the Reference Entity and the Specified Reference Obligation is contained in the sections entitled "Description of the Initial Charged Assets" and "Description of the Reference Entity" and in Annex 1 (Form of Charged Agreement), and is summary only and has been reproduced from public sources and none of the Programme Parties or any of their respective affiliates or any other

person has verified, and the Issuer has only made very limited enquiries in relation to, the information relating to the Initial Charged Assets, the Reference Entity and the Specified Reference Obligation contained herein or in any of the documents made available for inspection by the Noteholders and, save as otherwise set out in the section headed “Responsibility Statement”, none of them accepts any responsibility for the accuracy or completeness of such information and prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquiries in respect of, the same.

This Prospectus does not provide any information on the creditworthiness of, or likelihood of the occurrence of a Credit Event with respect to, the Reference Entity. As the occurrence of a Credit Event may result in a loss to purchasers of the Notes, each prospective investor is advised to make its own assessment of the likelihood of the occurrence of a Credit Event in respect of the Reference Entity.

Legal Opinions

Whilst legal opinions relating to the issue of the Notes have been obtained by the Arranger, the Dealer and the Trustee with respect to English law, Japanese law and Cayman Islands law, no legal opinions have been obtained with respect to the laws governing any Reference Obligation or other obligation of the Reference Entity or the laws of the country of incorporation of the Reference Entity in the context of the validity, enforceability or binding nature of the relevant Reference Obligation or other obligation of the Reference Entity as against the Reference Entity.

No Fiduciary Role

None of the Issuer, any of the Programme Parties or any of their respective affiliates is acting as an investment adviser, and none of them (other than the Trustee) assumes any fiduciary obligation, to any purchaser of Notes.

None of the Issuer or any of the Programme Parties assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of the issuer or obligor of any Charged Assets or the terms thereof or of the Reference Entity or any Reference Obligation or any obligation of a Reference Entity or of any Swap Counterparty or the terms of the Charged Agreement.

None of such parties makes any representation or warranty, express or implied, as to any of such matters nor as to the legal, valid and binding effect of the terms of the Charged Assets or of the Charged Agreement.

Third Party Information

The Issuer has only made very limited enquiries with regards to, and none of the Programme Parties has verified or (save as otherwise set out in the section headed “Responsibility Statement”) accepts any responsibility for, the accuracy and completeness of the Third Party Information. Prospective investors in the Notes should not rely upon, and should make their own independent investigations and enquiries in respect of, the accuracy and completeness of the Third Party Information.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus. In relation to the information under the heading “Information concerning the Swap Counterparty” and in paragraph 9 under the heading “General Information” (the “**Barclays Information**”), Barclays Bank PLC also takes responsibility therefor; in relation to the information under the heading “Information concerning The Bank of New York Mellon” (the “**BNY Mellon Information**”), The Bank of New York Mellon also takes responsibility therefor; and in relation to the information under the heading “Information concerning BNY Mellon Corporate Trustee Services Limited” (the “**BNY Trustee Information**”), BNY Mellon Corporate Trustee Services Limited also takes responsibility therefor.

The information regarding the Initial Charged Assets under the heading “Description of the Initial Charged Assets” and elsewhere in this Prospectus has been accurately reproduced from the website of the Ministry of Finance Japan and Bloomberg and, as far as the Issuer is aware and is able to ascertain from information published by the issuer of the Initial Charged Assets, no facts have been omitted which would render the reproduced information inaccurate or misleading. The information regarding the Reference Entity and the Specified Reference Obligation under the heading “Description of the Reference Entity” and elsewhere in this Prospectus has been accurately reproduced from the website of the Tokyo Stock Exchange and Bloomberg and, as far as the Issuer is aware and is able to ascertain from such sources, no facts have been omitted which would render such information inaccurate or misleading. The information in relation to the Reference Entity and Specified Reference Obligation contained in the Form of Charged Agreement set out in Annex 1 hereto has been accurately reproduced from such Form of Charged Agreement and, as far as the Issuer is aware and is able to ascertain from the sources referenced in the immediately preceding sentence above, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has not conducted extensive due diligence on the Barclays Information, the BNY Mellon Information, the BNY Trustee Information and the information regarding the Initial Charged Assets, the Reference Entity and the Specified Reference Obligation in this Prospectus (together, the “**Third Party Information**”) or made any enquiries as to its own possession of non-publicly available information. Barclays Bank PLC has not (save in respect of the Barclays Information) conducted any due diligence on the Third Party Information, or made any enquiries as to its own possession of non-publicly available information.

To the best of the knowledge and belief of the Issuer (and in the case of (i) the Barclays Information, Barclays Bank PLC, (ii) the BNY Mellon Information, The Bank of New York Mellon and (iii) the BNY Trustee Information, BNY Mellon Corporate Trustee Services Limited) (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus for which it takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. The delivery of this Prospectus at any time does not imply that any information contained herein is correct at any time subsequent to the date hereof.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or any other person to subscribe for, or purchase, any Notes.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the

Issuer, the Trustee and the Arranger to inform themselves about and to observe any such restriction.

This Prospectus contains summaries of certain provisions of, or extracts from, the Constituting Instrument executed in relation to the Notes and the documents and agreements referred therein. Such summaries and extracts are subject to, and are qualified in their entirety by, the actual provisions of such documents and agreements, copies of which are annexed hereto or available for inspection at the principal office of the Trustee or the specified office of the Principal Paying Agent. Holders of the Notes to which this Prospectus relates, and any other person into whose possession this Prospectus comes, will be deemed to have notice of all provisions of the documents executed in relation to the Notes which may be relevant to a decision to acquire, hold or dispose of such Notes.

The Notes will not be rated.

This Prospectus contains references to credit ratings granted by Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Ltd. and Fitch Ratings Limited. Each of Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Ltd. and Fitch Ratings Limited are established in the European Community and are registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

This Prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. Such market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. This Prospectus constitutes a Prospectus for the purposes of the Prospectus Directive. The Notes were not admitted to the Official List of the Irish Stock Exchange nor trading on its regulated market on the Issue Date and no assurance is given that such admission will be obtained or, if obtained, maintained.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS, AND THE ISSUER IS NOT AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**1940 ACT**"). THE NOTES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

Each purchaser or holder of Notes will be deemed to represent that it is not, and for so long as it holds any Notes will not be, an employee benefit plan subject to the fiduciary responsibility provisions of ERISA, a plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, a person or entity whose assets include the assets of any such employee benefit plan or plan by reason of 29 C.F.R. Section 2510.3-101 or otherwise, or any other employee benefit plan without regard to the federal, state, local or foreign law pursuant to which the plan is organised or administered, and such purchaser or holder is not using the assets of any such plan to acquire the Notes.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Electronic links have been provided to the documents incorporated by reference into this Prospectus but any websites mentioned herein do not form part of this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and shall be taken to form part of, this Prospectus:

- (i) the Base Prospectus, save for the section entitled “Terms and Conditions of the Notes” at pages 32 to 139 (inclusive); and
- (ii) the section entitled “Terms and Conditions of the Notes” at pages 27 to 132 (inclusive) of the 2011 Base Prospectus.

The Base Prospectus is available for viewing at the following link:

http://www.ise.ie/debt_documents/Base%20Prospectus_3af7cc47-8f12-46f5-8815-a5c3d73e18a9.pdf

The 2011 Base Prospectus is available for viewing at the following link:

http://www.ise.ie/debt_documents/Base%20Prospectus_e367e0a9-1f32-4643-a09b-00ceb01000d9.pdf

This document must be read and construed in conjunction with the Base Prospectus (to the extent incorporated herein) and the 2011 Base Prospectus (to the extent incorporated herein) and shall be deemed to modify and supersede the contents of the Base Prospectus (to the extent incorporated herein) and the 2011 Base Prospectus (to the extent incorporated herein) to the extent that a statement contained herein is inconsistent with such information. The non-incorporated parts of the documents incorporated by reference are either not relevant for the investor or covered elsewhere in this Prospectus.

NOTICE TO INVESTORS FROM BARCLAYS BANK PLC

Neither Barclays Bank PLC nor any of its affiliates is under any legal, regulatory or moral obligation to purchase the Notes or the Initial Charged Assets (as defined herein) or support any losses suffered by the Issuer or the purchasers of any Notes. Neither Barclays Bank PLC nor its affiliates guarantees or stands behind the Issuer or the Issuer's obligations under the Notes and will not make good and is under no obligation to make good any losses under the Initial Charged Assets or the Notes or under any agreements that the Issuer might enter into with any third parties. The Issuer and each person into whose possession this document comes will be deemed to have acknowledged and agreed to the foregoing.

INVESTOR REPRESENTATIONS

By purchasing any Notes each Noteholder shall be deemed to represent, warrant and covenant on the date it agrees to purchase such Notes and on the date of such purchase and on one Business Day immediately following the date of such purchase to each of the Issuer and the Programme Parties as follows:

1. **Purchase as principal.** The Noteholder is purchasing the Notes as principal for its own account and not as agent or trustee for any other party, with no view to the re-sale thereof to one or more third parties.
2. **Organization and Authority.** The Noteholder is duly organised and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing. The Noteholder has the power and taken all necessary action to purchase the Notes.
3. **Consents.** All governmental and other consents that are required to have been obtained with respect to the Noteholder's agreement to purchase the Notes have been obtained and all relevant authorisations, licences and approvals applicable to the Noteholder in respect of the Notes have been obtained and are in full force and effect and all conditions of any such consents, authorisations, licences and approvals have been complied with.
4. **No Conflict.** Performance of the Noteholder's obligations in connection with any purchase of the Notes do not violate or conflict with any law applicable to the Noteholder, any rule or regulation to which the Noteholder is subject, any provision of its constitutional documents (including without limitation, any operating, investment, risk management or other guidelines, whether or not mandatory), any order or judgment of any court or other agency of government applicable to such Noteholder or any of its assets or any contractual restriction binding on or affecting it or any of its assets.
5. **Non-Reliance.** The Noteholder is acting for its own account and has made its own independent decisions to purchase the Notes and as to whether the Note purchase is appropriate or proper for it based upon its own judgment and upon advice from such advisors as it deems necessary. The Noteholder is not relying on any communication (written or oral) from Barclays Bank PLC as investment advice or as a recommendation to purchase the Notes; it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered investment advice or a recommendation to purchase the Notes. No communication (written or oral) received from Barclays Bank PLC shall be deemed to be an assurance or guarantee as to the expected results of the purchase of the Notes. The Noteholder acknowledges that Barclays Bank PLC are not a fiduciary or financial, investment or trading advisor for it, Barclays Bank PLC have not committed to unwind or cover losses from any purchase, and have not given it (directly or indirectly through any other person) any advice or counsel, assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of an investment in or terms of the Notes.
6. **Assessment and Understanding.** The Noteholder is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of purchasing the Notes. The Noteholder is also capable of assuming and it assumes, the financial and other risks of purchasing the Notes, including the risks and outcome of any Credit Event. The Noteholder understands and approves the credit(s) to which the Notes will be linked. If the Notes permit replacement or substitution of credits, the Noteholder understands and approves the methodology and criteria for such replacements or substitutions. The Noteholder has conducted independent investigation and analysis regarding the Issuer,

the Notes, and all other relevant persons and such market and economic factors as it deems appropriate to evaluate the merits and risks of an investment in the Notes. The Noteholder has such knowledge and experience in financial and business matters, particularly in transactions that involve a high degree of risk, and access to and knowledge of appropriate analytical resources to be able to evaluate the information in the term sheet and this Prospectus and the merits and risks of an investment in the Notes, after full consideration of its financial, tax, accounting and regulatory circumstances and investment objectives.

7. **Terms and Conditions.** The Noteholder acknowledges that the operative terms and conditions of the Notes will be exclusively those set forth in this Prospectus and that it is not entitled to rely on any description of the terms and conditions of the Notes or any undertaking by any other party with respect to the Notes that is not set forth in this Prospectus, including, without limitation, any such description or undertaking communicated orally or set forth in any pitch books or other marketing materials. The Noteholder understands and acknowledges that Japanese translations of any documents provided to it by, or on behalf of, the Issuer or Barclays Bank PLC or any of the affiliates of Barclays Bank PLC are being provided for reference purposes only and that, in all cases, the English language version of the document will be the governing document.
8. **Compliance with all applicable law and regulation.** The Noteholder acknowledges that no action has been or will be taken by it in any jurisdiction that would permit a public offering of the Notes. The Noteholder is exclusively responsible for any re-sale of the Notes including, without limitation, in Japan, and it has complied and will comply with any applicable laws and regulations in any relevant jurisdiction in offering or re-selling the Notes or carrying out any type of solicitation in connection with the Notes. In addition, the Noteholder will ensure that the purchasers of the Notes will comply with any applicable laws and regulations in any relevant jurisdiction in its purchase of the Notes.
9. **Third Party Information.** The Noteholder acknowledges and agrees that the Issuer has only made very limited enquiries with regards to, and none of the Programme Parties has verified or (save as otherwise set out in the section headed “Responsibility Statement”) accepts any responsibility for, the accuracy and completeness of the Third Party Information.

CONDITIONS OF THE NOTES

Series 2012 (CLN-7)

JPY 1,000,000,000 Secured Limited Recourse Credit-Linked Notes due 27 June 2017

The Terms and Conditions of the Notes designated as above (the “**Notes**”) shall be the Master Conditions as completed, modified and amended by the terms set out herein (the “**Terms**”). The Master Conditions are set out in the Base Prospectus dated 27 June 2011 relating to the ARLO XII Limited U.S.\$5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the “**Programme**”), and for the purposes of these Notes, the Master Conditions (June 2011 Edition – Version 1) shall apply.

Unless the context otherwise requires, terms defined in the Master Conditions or in the Charged Agreement (as defined below) shall have the same meanings when used in these Terms.

- | | | | |
|----|--------|---|---|
| 1. | (i) | Issuer: | ARLO XII Limited. |
| | (ii) | Arranger and Dealer: | Barclays Bank PLC. |
| | (iii) | Swap Counterparty: | Barclays Bank PLC. |
| | (iv) | Trustee: | BNY Mellon Corporate Trustee Services Limited. |
| | (v) | Issue Agent and Principal Paying Agent: | The Bank of New York Mellon. |
| | (vi) | Paying Agent: | The Bank of New York Mellon. |
| | (vii) | Custodian: | The Bank of New York Mellon. The Bank of New York Mellon has appointed the Sub-Custodian to hold the Charged Assets that comprise any JGBs – see paragraphs 9 and 32 below. |
| | (viii) | Interest Calculation Agent: | Barclays Bank PLC. |
| | (ix) | Common Depositary: | The Bank of New York Mellon. |
| | (x) | Determination Agent: | Barclays Bank PLC. |
| | (xi) | Realisation Agent: | Barclays Bank PLC. |
| | (xii) | Registrar and Transfer Agent: | Not Applicable. |
| 2. | (i) | Series Number: | Series 2012 (CLN-7). |
| | (ii) | Specified Currency: | Japanese Yen (“ JPY ” or “¥”). |
| 3. | | Principal Amount: | JPY 1,000,000,000. |
| 4. | | Status: | The Notes are secured and limited recourse obligations of the Issuer ranking <i>pari passu</i> and rateably without preference among themselves, recourse in respect of which is limited in the manner described in the Conditions. The |

Notes are secured in the manner described in Condition 4 (“*Security*”) and Paragraph 11 (“*Security*”) below and are subject to the priority set out below.

After meeting the expenses and remuneration of and any other amounts due to the Trustee, including in respect of liabilities incurred, or to any receiver appointed pursuant to the Trust Deed, in each case in respect of the Notes, the net proceeds of the enforcement of the security constituted pursuant to the Trust Deed will be applied:

- (i) **first**, in meeting the claims (if any) of the Swap Counterparty under the Charged Agreement;
- (ii) **secondly**, in meeting the claims (if any) of the Noteholders *pari passu* and rateably; and
- (iii) **thirdly**, in payment of the balance (if any) to the Issuer.

| | | |
|----|---------------------------------|---|
| 5. | Issue Price: | 100 per cent. |
| | Arranger’s/Dealer’s commission: | JPY 3,750,000. |
| 6. | Authorised Denomination: | JPY 100,000,000. |
| 7. | Issue Date: | 20 June 2012. |
| 8. | Maturity Date: | Scheduled Termination Date of the Charged Agreement. |
| 9. | Charged Assets: | The Charged Assets comprise the Initial Charged Assets (as defined below), as may be adjusted from time to time pursuant to the provisions below relating to operation of the Credit Support Annex in respect of the Charged Agreement. |

On the Issue Date, the Charged Assets will comprise JPY 1,000,000,000 principal amount of an issue by the Government of Japan No. 286 1.80 per cent. Bonds due 20 June 2017 (ISIN: JP1102861760) (the “**Initial Charged Assets**”).

Following the Issue Date, (i) any Eligible Credit Support and/or Equivalent Credit Support (each as defined in the Charged Agreement) transferred by the Swap Counterparty to the Issuer pursuant to the Credit Support Annex in respect of the Charged Agreement shall, upon such transfer, comprise part of the Charged Assets; and (ii) any Eligible Credit Support and/or Equivalent Credit Support (each as defined in the Charged Agreement) transferred by the Issuer to the Swap Counterparty pursuant to the Credit Support Annex in respect of the Charged Agreement shall, upon such transfer, no longer comprise part of the Charged Assets.

The Charged Assets that comprise JGBs are book-entry Japanese Government Bonds

(*furikae kokusai*) and will be held in the Bank of Japan's Japanese Government Bonds Book-entry System (*Kokusai-Furikae Kessai Seido*), which shall constitute an “**Alternative Clearing System**” for the purpose of this Series.

Pursuant to the Custody Agreement, the Custodian will operate two custody accounts, one account in the name of the Issuer, and one account in the name of the Trustee. The Custodian will appoint a sub-custodian (the “**Sub-Custodian**”) in respect of each account, pursuant to the Sub-Custody Arrangements (as defined below). As at the Issue Date, the Custodian has appointed Mizuho Corporate Bank, Ltd. as the Sub-Custodian.

The “**Sub-Custody Arrangements**” means (a) the arrangement pursuant to which the Custodian appoints the Sub-Custodian to open and maintain the Issuer Sub-Custody Account (as defined in paragraph 32), and (b) the arrangement pursuant to which the Custodian appoints the Sub-Custodian to open and maintain the Trustee Sub-Custody Account (as defined in paragraph 32), in each case on substantially the same terms as the Custody Agreement.

If the Charged Assets are redeemed in whole or in part on or prior to the Maturity Date, provided that such redemption does not constitute a Bond Redemption Event under the provisions of Paragraph 25(A) (*Bond Redemption*) hereof, such Redemption Proceeds shall be credited to the relevant Custody Cash Account pursuant to the Custody Agreement, and shall comprise Charged Assets as from the date of such crediting.

Interest shall accrue on the respective Custody Cash Account Balance up to and including the Maturity Date on a daily basis at the relevant Overnight Rate in an amount equal to the product of the following:

- (a) the respective Custody Cash Account Balance (as defined in the Charged Agreement);
- (b) the relevant Overnight Rate; and
- (c) 1/365,

provided that where, for whatever reason, the Custodian is unable to pay interest in accordance with this paragraph, interest shall cease to accrue in respect thereof from such date as so determined by the Custodian.

Where the Custodian is unable to pay interest on any Custody Cash Account at the aforementioned rate, it shall promptly notify the Issuer, the Trustee, the Principal Paying Agent, the Realisation Agent and the Swap Counterparty.

“**Overnight Rate**” means the offered rate of the Custodian for overnight deposits in the applicable currency in the relevant Custody Cash Account in an amount equal to the related Custody Cash Account Balance.

If the short-term unsecured debt rating of the Custodian is downgraded at any time below “J-1” by the Rating Agency or withdrawn, the Issuer shall use reasonable endeavours to appoint a replacement Custodian, with the consent of the Trustee, within 30 calendar days of the rating downgrade or withdrawal by the Rating Agency, unless the Trustee has an alternative approach which the Rating Agency confirms will not reduce the then rating of the Notes. The Issuer shall notify the Rating Agency of such replacement Custodian.

10. Charged Agreement: The International Swaps and Derivatives Association, Inc. (“**ISDA**”) 1992 form of Master Agreement (Multicurrency – Cross Border) and a schedule thereto dated the date of the

Constituting Instrument between the Swap Counterparty and the Issuer; as supplemented by (i) a confirmation of a swap transaction entered into between the Swap Counterparty and the Issuer, with an effective date of 20 June 2012 and (ii) the ISDA 1995 form of Credit Support Annex (Bilateral Form – Transfer) and the Paragraph 11 thereto in the form of Schedule 6 to the Constituting Instrument entered into between the Swap Counterparty and the Issuer dated 20 June 2012 (the “**Credit Support Annex**”).

11. Security:

As set out in Condition 4(a) (*Security*) save that to the extent that the Charged Assets comprise JGBs:

- (i) there will additionally be an assignment of the Issuer’s rights against the Custodian and the Sub-Custodian with respect to such Charged Assets under the Custody Agreement and the Sub-Custody Arrangements, and any moneys and/or other assets received thereunder; and
- (ii) such Charged Assets will additionally be secured pursuant to a Japanese law pledge agreement between the Issuer, the Custodian, the Trustee and the Swap Counterparty on the terms (as amended, modified and/or supplemented by the Constituting Instrument) set out in the Master Japanese Pledge Terms (Japanese Government Bonds) as specified in the Constituting Instrument (the “**Pledge Agreement**”).

The Pledge Agreement shall constitute an “**Additional Charging Instrument**” for the purposes of this Series.

12. Fixed Rate Notes Provisions:

Not Applicable.

13. Floating Rate Notes Provisions:

Applicable.

(i) Interest Commencement Date:

One Business Day immediately following the Issue Date.

(ii) Interest Periods:

Each Buyer Calculation Period (as defined in the Charged Agreement).

(iii) Interest Payment Dates:

Each Buyer Period End Date (as defined in the Charged Agreement).

- (iv) Interest Amount: In respect of each Interest Period, the Buyer Payment Amount (as defined in the Charged Agreement) payable by the Swap Counterparty in respect of the Buyer Calculation Period that corresponds to such Interest Period.
- For the avoidance of doubt, the provisions of this paragraph 13 are deemed to amend and supplement Condition 6 (*Interest*) and, to the extent of any conflict between the provisions of this paragraph 13 and Condition 6 (*Interest*), the provisions of this paragraph 13 shall prevail.
14. Zero Coupon Notes Provisions: Not Applicable.
15. Index-Linked Interest Notes Provisions: Not Applicable.
16. Notes issued in bearer or registered form: Bearer Notes.
17. Whether Notes will be C Notes or D Notes: The Notes shall be D Notes and, accordingly, the Notes shall be represented on issue by a Temporary Global Note.
- The Temporary Global Note shall be exchangeable for a Permanent Global Note on or after 40 days from the Issue Date (or such later date as may be determined to be the Exchange Date in accordance with the terms of such Temporary Global Note) upon certification as to non-U.S. beneficial ownership.
- The Permanent Global Note shall be exchangeable for definitive Bearer Notes in the limited circumstances set out in Condition 1(a)(1) (*Bearer Notes*).
18. Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity for each Talon: No
19. U.S. Series or non-U.S. Series: Non U.S. Series
20. Listing: It is expected that application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. Such market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. However, the Notes will not be so listed and admitted on the Issue Date and no assurance is given that such listing and admission will be obtained thereafter.

21. Ratings: The Notes are expected to be assigned a rating of “A+” by Japan Credit Rating Agency, Ltd. or any successor to the ratings business thereof (the “**Rating Agency**”) on the Issue Date but no assurance is given that such rating will be obtained and such rating is not a condition precedent to the issuance of the Notes.
22. Business Days: Tokyo, London and New York.
23. Call/Put Option: Not Applicable
24. Scheduled Redemption Amount: In respect of each Note, 100% of the Authorised Denomination, subject to Early Redemption.
- The Notes may be redeemed in part (and the Principal Amount reduced accordingly) in accordance with the Credit Derivatives Definitions as amended by Section 8(c) of the Charged Agreement, where more than one Successor (as defined in the Charged Agreement) to a Reference Entity has been identified.
- Noteholders are referred to the Credit Derivatives Definitions as amended by Section 8(c) of the Charged Agreement set out in Annex 1 to this Prospectus for further details on such partial redemption of the Notes.
25. Early redemption:
- (A) **Bond Redemption:** If a Bond Redemption Event occurs (regardless of whether or not it is continuing) and the Swap Counterparty delivers a Bond Event Notice to the Issuer pursuant to the Charged Agreement, the Notes shall be redeemed by payment of the Bond Redemption Amount in accordance with the following provisions and, accordingly, Condition 7(b) (*Mandatory Redemption*) shall not apply.
- (i) If the Swap Counterparty delivers a Bond Event Notice pursuant to the Charged Agreement, the Issuer shall, on the Business Day following the date of delivery of the Bond Event Notice by the Swap Counterparty, give notice thereof to the Trustee, the Realisation Agent and the other Agents, the Rating Agency and the Noteholders in accordance with Condition 14 (*Notices*) and the Notes shall become due and repayable on the Early Termination Date. The notice so given by the Issuer to the Realisation Agent is referred to as the “**Realisation Instruction**”. The failure to deliver any such notice by or on behalf of the Issuer shall not affect the effectiveness of any Bond Event Notice delivered pursuant to the Charged Agreement or the application of the other provisions of this Paragraph 25(A).
- (ii) Upon receipt by the Realisation Agent of a Realisation Instruction from the Issuer, the Realisation Agent is deemed to be instructed by the Issuer to arrange for and administer the sale of the Charged Assets (other than any Charged Assets which comprise cash) in accordance with Condition 4(c)

(Realisation of the Collateral upon redemption pursuant to Conditions 7(e), 7(g) or 9). For the purposes of Condition 4(c), the “**Realisation Period**” shall commence on the date of delivery of the Realisation Instruction. The Realisation Agent shall procure (and is so instructed by the Issuer) the sale proceeds of such Charged Assets to be credited, for value on or before the expiry of the Realisation Period, to the account of the Principal Paying Agent, for application in or towards discharge of the Issuer’s obligations under the Notes. The Realisation Agent shall notify the Principal Paying Agent in advance, of the amount of such proceeds and the date of which such proceeds shall be credited to the account of the Principal Paying Agent.

Upon receipt of prior notification from the Issuer (or from the Realisation Agent acting on behalf of the Issuer) of the Bond Redemption Amount, on or before the Early Termination Date, the Principal Paying Agent shall notify the Noteholders in accordance with Condition 14 (*Notices*) of the corresponding Bond Redemption Amount.

- (iii) On the Early Termination Date, subject to any Costs (to the extent such Costs are a positive amount payable by the Issuer to the Swap Counterparty) having been paid to the Swap Counterparty, the Notes shall be redeemed at the Bond Redemption Amount (and upon payment in full thereof, the Issuer’s obligations in respect of the Notes shall be cancelled and discharged in full, the Issuer shall have no obligation to make payment to the Noteholders of the Principal Amount, and the Noteholders shall have no further recourse to the Issuer or any other party in respect of the Notes).

In the event that, for whatever reason, the Realisation Agent is unable to sell the Charged Assets (or part thereof) in accordance with Condition 4(c) *(Realisation of the Collateral upon redemption pursuant to Conditions 7(e), 7(g) or 9)*, the sale proceeds in respect of the Charged Assets not so sold shall be deemed to be zero (and the Bond Redemption Amount shall be determined accordingly).

Noteholders should be aware that they bear the risk of a Bond Redemption Event occurring or having occurred at any time from and including 30 May 2012 (notwithstanding that such date precedes the Issue Date), up to and including the Specified Date, or if applicable, the Extension Date (as defined in the Charged Agreement).

Noteholders should be aware that, under the laws of Japan, realisation of the Charged Assets may be required to be effected by a public auction conducted in accordance with Japanese law. Realisation by such method may take longer to effect and might realise lower net proceeds than a private sale.

None of the Issuer, the Programme Parties and their respective affiliates has made any investigation of, or makes any representation or warranty, express or implied, as to whether a Bond Redemption Event has occurred or is likely to occur or as to the creditworthiness of the issuer of the Charged Assets, and each prospective Noteholder is advised to make its own investigations and assessment of the same.

- (B) **Credit Event Redemption:** If a Credit Event occurs in respect of the Reference Entity and the Swap Counterparty delivers a Credit Event Notice to the Issuer pursuant to the Charged Agreement, the Issuer shall give notice thereof to the Trustee, the Agents, the Rating Agency and the Noteholders in accordance with Condition 14 (*Notices*) on the Business Day following the date of delivery of the Credit Event Notice by the Swap Counterparty (provided that the failure by the

Issuer to deliver any such notice shall not affect the effectiveness of any Credit Event Notice delivered pursuant to the Charged Agreement or the application of the other provisions of this Paragraph 25(B)) and each Note shall be redeemed on the applicable Cash Settlement Date (as defined in the Charged Agreement) by payment to the relevant Noteholder of its Adjusted Face Amount (as defined below).

The “**Adjusted Face Amount**” of a Note is an amount equal to such Note’s pro rata portion of the Adjusted Principal Amount of the Notes.

The “**Adjusted Principal Amount**” of the Notes is an amount equal to the “Adjusted Notional Amount” of the Charged Agreement.

Noteholders should be aware that they bear the risk of a Credit Event occurring or having occurred at any time from and including 30 May 2012 (notwithstanding that such date precedes the Issue Date), up to and including the Specified Date (as defined in the Charged Agreement), which is 27 June 2017, or if applicable, the Extension Date (as defined in the Charged Agreement).

None of the Issuer, the Programme Parties and their respective affiliates has made any investigation of, or makes any representation or warranty, express or implied, as to whether a Credit Event has occurred or is likely to occur or as to the creditworthiness of the Reference Entity, and each prospective Noteholder is advised to make its own investigations and assessment of the same.

- (C) Any determination made by the Realisation Agent and/or the Determination Agent pursuant to this Paragraph 25 shall (in the absence of manifest error) be final and binding upon all parties. If the Realisation Agent or the Determination Agent is unable or unwilling to act as such, the Issuer shall, with the prior written consent of the Trustee, appoint the London office of a leading international investment bank to act as such in its place. The Realisation Agent and the Determination Agent may not resign its duties without a successor having been appointed as aforesaid.
- (D) Any term that is used in this Paragraph 25 and not defined herein shall bear the meaning ascribed to it in the Charged Agreement.
- (E) For the avoidance of doubt, Condition 7(c) (*Redemption on termination of Charged Agreement*) shall only apply to the Notes if the Charged Agreement is terminated in whole but not in part and other than in consequence of Condition 7(g) (*Purchase*) or Condition 7(h) (*Exchange*) or in connection with a redemption of Notes pursuant to Paragraph 25 hereof or Condition 9 (*Events of Default*).
- (F) Notwithstanding Condition 7(e)(2) (*Redemption Amount of Notes*), if an Early Termination Date is designated or deemed to occur as a result of an Event of Default in relation to the Swap Counterparty as the Defaulting Party, the amount payable upon redemption of each Note shall be the amount determined by the Trustee or, where applicable, the Determination Agent to be the amount available for redemption of such Note by applying the portion available to the Noteholders pursuant to Condition 4(d) (*Realisation of the Collateral upon redemption pursuant to Conditions 7(e), 7(f), 7(g) or 9*) (or as it may be amended or replaced by the Constituting Instrument) of the net proceeds of enforcement of the security in accordance with Condition 4 *pari passu* and rateably to the Notes. For the avoidance of doubt, unless otherwise specified herein, all other terms of Condition 7(e)(2) (*Redemption Amount of Notes*) shall remain unchanged and enforceable.

- in Euroclear and Clearstream, Luxembourg.
27. Common Code: 078987391
28. ISIN: XS0789873915
29. Additional Provisions: None.
30. Agent for service of process: For the purposes of Condition 18 (*Governing Law and Submission to Jurisdiction*), the Issuer has appointed Maples and Calder of 11th Floor, 200 Aldersgate Street, London EC1A 4HD as its agent for service of any proceedings in England in relation to the Notes, the Trust Deed and the Constituting Instrument.
31. Bond Redemption Events and Credit Events: The occurrence of any Bond Redemption Event or any Credit Event, and all calculations, determinations and other steps required to be taken in connection therewith, under or in respect of the Charged Agreement are conclusive and binding on the Issuer, the Trustee, the Noteholders, the Agents and all other persons when and as they occur or they are made or taken under or in connection with the Charged Agreement pursuant to its terms, without further notice or determination hereunder.
32. Depositary Account: (A) To the extent that the Charged Assets comprise JGBs, the Depositary Account shall be the Issuer Depositary Account and/or the Trustee Depositary Account, as the context may require, and the definition of “**Depositary Account**” shall be construed accordingly.
- The “**Issuer Depositary Account**” means an account in the name of the Custodian for and on behalf of the Issuer opened and maintained with the Sub-Custodian, the account number of which shall be notified in writing by the Custodian to the Issuer, the Trustee and the Swap Counterparty from time to time.
- The “**Trustee Depositary Account**” means an account in the name of the Custodian for and on behalf of the Trustee opened and maintained with the Sub-Custodian, the account number of which shall be notified in writing by the Custodian to the Issuer, the Trustee and the Swap Counterparty from time to time.

For the purposes of holding the Charged Assets, the Sub-Custodian has opened and maintained a sub-custody account in the name of the Custodian (in respect of the Issuer Depositary Account) with the Alternative Clearing System (the “**Issuer Sub-Custody Account**”) and has opened and maintained a sub-custody account in the name of the Custodian (in respect of the Trustee Depositary Account) with the Alternative Clearing System (the “**Trustee Sub-Custody Account**”). The Issuer Sub-Custody Account and the Trustee Sub-Custody Account are each opened and maintained with the Alternative Clearing System under the JGB Book-Entry System of BOJ under and in accordance with the Laws and Regulations on Book-Entry transfer of Corporate Bonds, Stocks, etc.

“**BOJ**” means the Bank of Japan.

“**Laws and Regulations on Book-Entry Transfer of Corporate Bonds, Stocks, etc.**” means the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Law No. 75 of 2001 as amended) and related laws, regulations and the administrative rules established by BOJ for the operation of the JGB Book-Entry System of BOJ.

- (B) To the extent that the Charged Assets do not comprise JGBs, the Depositary Account shall be such other account(s) maintained by the Custodian for and on behalf of the Issuer from time to time.

CONFIRMED

ARLO XII LIMITED

By:

Dated: 20 June 2012

TAX CONSIDERATIONS

Prospective investors should consult their own tax advisors on the possible tax consequences of the purchase, ownership and disposition of the Notes under the laws of their country of citizenship, residence or domicile.

Investors should consult their own tax advisors regarding whether the purchase of the Notes, either alone or in conjunction with an investor's other activities, may subject a holder to any state or local taxes based, for example, on an assertion that the investor is either "doing business" in, or deriving income from a source located in, any state or local jurisdiction. Additionally, potential investors should consider the state, local and other tax consequences of purchasing, owning or disposing of the Notes. State and local tax laws may differ substantially from the corresponding federal tax law, and the foregoing discussion does not purport to describe any aspect of the tax laws of any state or other jurisdiction.

The Noteholders will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to the Noteholders to reimburse it for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or by the Principal Paying Agent.

SUBSCRIPTION AND SALE

General

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any part thereof or any other offering material or this Prospectus, in any country or jurisdiction where action for that purpose is required.

The Arranger will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes the Base Prospectus or any part thereof, any other offering material or this Prospectus in all cases at its own expense unless otherwise agreed and neither the Issuer nor any other Arranger shall have responsibility therefor.

United States

The Notes have not been and will not be registered under the Securities Act. Consequently, the Notes may not be offered, sold, resold, delivered or transferred within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act).

United Kingdom

The Arranger has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated, and it will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA (and all rules and regulations made pursuant to the FSMA) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Cayman Islands

No invitation may be made to the public in the Cayman Islands to subscribe for the Notes unless at the time of such invitation the Issuer is listed on the Cayman Islands Stock Exchange. The Issuer currently has no intention of applying for such a listing.

European Economic Area

The Arranger has represented, warranted and agreed that in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), 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 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 Notes to the public in that Relevant Member State:

- (A) if the Prospectus in relation to the Notes specifies 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 Prospectus contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning on the date of publication of the prospectus and ending on the date which is 12 months after the date of such publication;

- (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 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (D) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of 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, 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, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Republic of Ireland

The Arranger has represented, warranted and agreed that:

- (i) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), and any codes of conduct or rules issued in connection therewith and any conditions, requirements or other enactments imposed or approved by the Central Bank, and the provisions of the Irish Investor Compensation Act 1998;
- (ii) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2011 and any codes of practice made under section 117(1) of the Irish Central Bank Act 1989;
- (iii) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank; and
- (iv) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

Japan

The Arranger is aware that the Notes have not been, and will not be, registered under the Financial Instruments and Exchange Act of Japan (the “FIEA”), and that it may not offer or sell any such Notes, directly or indirectly, in Japan or to, or the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

As offering of the Notes constitutes an Offering to Qualified Institutional Investors (*tekikaku kikan toushika muke kanyuu*) (as defined in Article 23-13, Paragraph 1 of the FIEA), the Notes have not been and will not be registered under Article 4, Paragraph 1 of the FIEA. A purchaser may transfer the Notes only to Qualified Institutional Investor(s) (as defined in Article 2, Paragraph 3, Item 1 of the FIEA).

Hong Kong

The Arranger has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (a) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

INFORMATION CONCERNING THE SWAP COUNTERPARTY

In addition to the Issuer, Barclays Bank PLC accepts responsibility for the following information as provided in the section of this Prospectus headed "Responsibility Statement". None of the Trustee or any of the other Programme Parties (other than Barclays Bank PLC) has verified, or accepts any responsibility whatsoever for the accuracy or completeness of, such information and prospective investors in the Notes should make their own independent investigations and enquiries in respect thereof and into Barclays Bank PLC and the Group (as defined below).

PRINCIPAL RISK FACTORS

Business conditions and the general economy

Barclays Bank PLC (the "**Bank**") offers a very broad range of services to personal and institutional customers, including governments. The Bank and its subsidiary undertakings (taken together, the "**Group**") have significant activities in a large number of countries. Consequently, there are many ways in which changes in business conditions and the economy in a single country or region or globally can adversely impact profitability, whether at the level of the Group, the individual business units or specific countries of operation.

During 2011, the economic environment in the Bank's main markets was marked by generally weaker than expected growth and the ongoing sovereign debt crisis in the Eurozone. In the UK, the economy recovered slightly during 2011 although GDP declined slightly in the fourth quarter leading to uncertainty in the near term. The potential for persistent unemployment, higher interest rates and rising inflation may increase the pressure on disposable incomes, affecting an individual's debt service ability with the potential to impact adversely performance in the Group's retail sector. U.S. economic conditions were better than the UK in 2011. However, unemployment is still high, which increases uncertainty in the near term. Credit conditions in Europe remain weak and a depressed housing sector and high unemployment may, in the near term, adversely affect the Group's business operations in this region. The global wholesale environment has been affected by the sovereign debt crisis and business confidence has generally declined. Performance in the near term, therefore, remains uncertain.

The business conditions facing the Group in 2012 globally and in many markets in which the Group operates are subject to significant uncertainties which may in some cases lead to material adverse impacts on the Group's operations, financial condition and prospects, including (for example) higher levels of impairment, lower revenues or higher costs, most notably:

- impact of potentially deteriorating sovereign credit quality, particularly debt servicing and refinancing capability;
- extent and sustainability of economic recovery, including impact of austerity measures on a number of the European economies;
- increase in unemployment due to weaker economies in a number of countries in which the Group operates, fiscal tightening and other austerity measures;
- impact of rising inflation and potential interest rate rises on consumer debt affordability and corporate profitability;
- possibility of further falls in residential property prices in the UK, South Africa and Western Europe;
- potential liquidity shortages increasing counterparty risks;
- potential for large single name losses and deterioration in specific sectors and geographies;
- possible deterioration in remaining credit market exposures;
- potential exit of one or more countries from the Euro as a result of the sovereign debt crisis;
- reduced client activity leading to lower revenues;

- decreases in market liquidity due to economic uncertainty;
- impact on income from uncertain interest and exchange rate environment;
- asset returns underperforming pension liabilities;
- impact of the guidelines from the Basel Committee on Banking Supervision for strengthening capital requirements (“Basel 3”) as regulatory rules are finalised;
- impacts on capital ratios from weak profit performance;
- availability and volatility in cost of funding due to economic uncertainty;
- reduction in available depositor and wholesale funding;
- implementation of strategic change and integration programmes across the Group;
- continued regulatory and political focus, driven by the global economic climate;
- impact of new, wide ranging, legislation in various countries coupled with changing regulatory landscape;
- increasingly litigious environment; and
- the crisis management agenda and breadth of regulatory change required in global financial institutions.

Credit risk

Credit risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. The granting of credit is one of the Group’s major sources of income and, as the most significant risk, the Group dedicates considerable resources to its control. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with its clients. Other sources of credit risk arise from trading activities, including debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase loans. However, credit risk may also arise where the downgrading of an entity’s credit rating causes a fall in the value of the Group’s investment in that entity’s financial instruments. Specific issues and scenarios where credit risk could lead to higher impairment charges in 2012 and subsequent years include:

Sovereign risk, the Eurozone crisis and redenomination risk

Credit conditions will deteriorate in a recessionary environment, such as that recently seen in the UK, U.S., the Eurozone and other economies. Deteriorating conditions will impact the risk of exposures to retail and wholesale counterparties, including a country’s government or its agencies (via sovereign risk), potentially impairing or reducing the value of the Group’s credit assets. Fiscal deficits continue to remain high, leading to high levels of public debt in some countries at a time of modest GDP growth, which has led to a loss of market confidence in certain countries to which the Group is exposed. Deteriorating sovereign credit quality (particularly in relation to debt servicing and refinancing) could have a material adverse effect on the Group’s results of operations, financial condition and prospects.

In particular, concerns about the Eurozone sovereign debt levels remain very high. The large sovereign debts and/or fiscal deficits of a number of European countries have also raised concerns regarding the financial condition of financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries (both to sovereign debt and private sector debt); and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a further decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates. A potential sovereign default and a potential exit of a country from the Euro would affect the businesses and economic condition and prospects of the Group’s counterparties, customers, suppliers or creditors, directly or indirectly, in ways which are difficult to predict.

The impact of these conditions could adversely affect the Bank and the solvency of its counterparties, custodians, customers and service providers; its credit rating; its share price; the value and liquidity of its assets and liabilities; and the ability of the Bank or the Group to meet its obligations under the Notes and under its debt obligations more generally.

Redenomination risk is the risk of financial loss to the Group should one or more countries exit from the Euro, leading to the redenomination of local balance sheet assets and liabilities. The Group is directly exposed to redenomination risk where there is a mismatch between the level of locally denominated external assets and locally denominated external liabilities. Within the Group, retail banking, corporate banking and wealth activities in the Eurozone are generally booked locally within each country. Locally booked external customer assets and liabilities, primarily loans and advances to customers and customer deposits, are predominantly denominated in Euros. The remaining net funding requirement between local external assets and liabilities is met through either local capital or via funding sourced from the Group. The exit from the Eurozone of one or more countries in which the Group operates could crystallise the effects of redenomination on the net funding. There can be no assurance that the steps taken by the Group to more actively match local external assets with local external liabilities would be fully successful. In addition to redenomination risk, the withdrawal of one or more countries from the Eurozone could adversely affect the economic performance of that country, impacting areas such as interest and unemployment rates, which, in turn, may adversely affect customers' (including a country's government or its agencies) solvency and their ability to service their debt and could have an impact on the performance of assets and liabilities with customers from that country. Any one, or a combination of, the foregoing events resulting from the withdrawal of one of more countries from the Eurozone could also have a material adverse impact on the Group's operations, financial condition and prospects.

Economic weakness

In a recessionary environment, such as that seen in past years in the UK, the U.S. and other economies, credit risk increases. In particular, the implementation of austerity measures to tackle high levels of public debt has negatively impacted economic growth and led to rising unemployment in some European countries and the monetary, interest rate and other policies of central banks and regulatory authorities may also have a significant adverse effect on a number of countries in which the Group operates. The threat of weaker economies in a number of countries in which the Group operates could lead to even higher levels of unemployment, rising inflation, potentially higher interest rates and falling property prices. For example, the Spanish and Portuguese housing sectors continue to be depressed, impacting the Group's wholesale and retail credit risk exposures and the Group has experienced elevated impairment across its operations in these countries. Poor economic performance in one or more of the countries in which the Group operates may have a material adverse effect on the Group's results of operations, financial condition and prospects.

In addition, if funding capacity in either the wholesale markets or central bank operations were to change significantly, liquidity shortages could result which may lead to increased counterparty risk with other financial institutions. This could also have an impact on refinancing risks in the corporate and retail sectors. This could have a material adverse effect on the Group's results of operations, financial condition and prospects.

Credit market exposures

The Bank holds certain exposures to credit markets that became illiquid during 2007. These exposures primarily relate to commercial real estate and leveraged finance loans. Although the Group continues to actively manage down these exposures, there is no guarantee that this will be successful. Failure to manage down these exposures effectively could have a material adverse effect on the Group's results of operations, financial condition and prospects.

Market risk

Market risk is the risk of the Group suffering financial loss due to the Group being unable to hedge its balance sheet at prevailing market levels. The Group can be impacted by changes in both the level and volatility of prices (for example, interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates). Specific issues and scenarios where market risk could lead to lower revenues in 2012 and subsequent years include:

Reduced client activity and decreased market liquidity

The impact of ongoing economic uncertainty on client volumes, reduced market liquidity and higher volatility could lead to lower revenues and could result in a material adverse effect on the Group's results of operations, financial condition and prospects.

Non-traded interest rate risk

Interest rate volatility can impact the Bank's net interest margin. The potential for future volatility and margin changes remains and it is difficult to predict with any accuracy changes in absolute interest rate levels, yield curves and spreads. Such changes may have a material adverse effect on the Group's results of operations, financial condition and prospects.

Pension fund risk

Adverse movements between pension assets and liabilities for defined benefit could contribute to a pension deficit.

Funding risk

Funding risk is the risk that the Bank is unable to achieve its business plans due to liquidity risk, capital risk or the management of structural balance sheet risks.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events which can result in (i) an inability to support normal business activity; or (ii) a failure to meet liquidity regulatory requirements.

During periods of market dislocation, the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Group.

In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

In addition, the introduction of capital controls or new currencies by countries to mitigate current stresses could have a consequential effect on performance of the balance sheets of certain Group companies based on the asset quality, types of collateral and mix of liabilities.

Capital risk

Capital risk is the risk that the Group is unable to maintain appropriate capital ratios which could lead to (i) an inability to support business activity; (ii) a failure to meet regulatory requirements; or (iii) changes to credit ratings.

Regulators assess the Group's capital position and target levels of capital resources on an ongoing basis and there have been a number of recent developments in regulatory capital requirements, including increases, which are likely to have a significant impact on the Group (such as Basel 3 and its proposed implementation in the EU under the Capital Requirements Regulation and the Fourth Capital Requirements Directive ("**CRD 4**")). Increased capital requirements and changes to what is defined to constitute capital may constrain the Group's planned activities and could increase costs and contribute to adverse impacts on the Group's earnings. During periods of market dislocation, increasing the Group's capital resources in order to meet targets may prove more difficult or costly.

Structural balance sheet risk

Structural balance sheet risk relates to the management of non-contractual risks and predominantly arises from the impact on the Bank's balance sheet of changes in primarily interest rates on income or foreign exchange rates on capital ratios. It is difficult to predict with any accuracy changes in interest rates or foreign exchange rates and such changes may have a material adverse effect on the Group's results of operations, financial condition and prospects.

Operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Group's business activities and are typical of any large enterprise. Major sources of operational risk include:

- inadequate selection and ongoing management of external suppliers;
- a reporting mis-statement or omission within external financial or regulatory reporting;
- dishonest behaviour with the intent to make a gain or cause a loss to others;
- inadequate protection of information in accordance with its value and sensitivity;
- inadequate design, assessment and testing of products and services;
- failure in operation of payments processes;
- insufficient people or capabilities and/or inappropriate behaviours and/or unsafe working environments;
- unavailability of premises to meet business requirements or inadequate protection of physical assets, employees and customers against criminal, terrorist and adverse political activities;
- failure to develop and deploy secure, stable and reliable technology solutions; and
- failure in the management of critical transaction processes.

These risks can result in financial and non-financial impacts, legal or regulatory breaches and reputational damage.

Notwithstanding anything contained in this risk factor, it should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the official list of the UK Listing Authority nor that it, or its relevant subsidiaries, will be unable to comply with its or their obligations as supervised firms regulated by the Financial Services Authority (the "**FSA**").

In addition, other major areas of operational risk include (i) regulatory risk; (ii) legal and litigation risk; (iii) cybersecurity risk; and (iii) taxation risk.

Regulatory risk

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry which are currently subject to significant changes. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the UK, EU, U.S. and elsewhere, which are all subject to change. The regulatory response to the financial crisis has led and will continue to lead to very substantial regulatory changes in the UK, EU and U.S. and in other countries in which the Group operates. It has also (amongst other things) led to (i) a more assertive approach being demonstrated by the authorities in many jurisdictions; and (ii) enhanced capital and liquidity requirements (for example pursuant to CRD 4). Any future regulatory changes may restrict the Group's operations, mandate certain lending activity and impose other, significant compliance costs.

Areas where changes could have significant adverse impacts include:

- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- changes in competition and pricing environments;
- further developments in the financial reporting environment;
- differentiation amongst financial institutions by governments with respect to the extension of guarantees to customer deposits and the terms attaching to those guarantees;
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes; and
- the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, which contains far reaching regulatory reform (including restrictions on proprietary trading and fund-related activities (the so-called "Volcker rule")). The full impact on the Group's businesses and markets will not be known until the principal implementing rules are adopted in final form by governmental authorities, a process which is underway and which will take effect over several years.

Three specific matters that directly impact the Group, and may have materially adverse consequences for the Group, are the Independent Commission on Banking (the "**ICB**"), the Banking Act 2009 (the "**Banking Act**") and the Financial Services Compensation Scheme (the "**FSCS**").

ICB

The ICB was charged by the UK Government with reviewing the UK banking system and its findings were published on 12 September 2011. The ICB recommended (amongst other things) that: (i) the UK and EEA retail banking activities of a UK bank or building society should be placed in a legally distinct, operationally separate and economically independent entity (so-called "ring-fencing"); and (ii) the loss-absorbing capacity of ring-fenced banks and UK-headquartered global systemically important banks (such as the Bank) should be increased to levels higher than the Basel 3 proposals. The UK Government published a white paper setting out its proposals for taking forward implementation of the ICB recommendations in June 2012 and indicated that primary and secondary legislation will be completed by May 2015, with UK banks required to be compliant by 1 January 2019. Changes to the structure of UK banks and an increase in the amount of loss-absorbing capital issued by UK banks may have a material adverse impact on the

Bank's and the Group's results and financial condition. It is also not possible to predict the detail of the implementation legislation or the ultimate consequences for the Group.

Banking Act

The Banking Act provides a regime to allow the FSA, the UK Treasury and the Bank of England to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers, including (a) the power to issue share transfer orders pursuant to which all or some of the securities issued by a bank may be transferred to a commercial purchaser or Bank of England entity; and (b) the power to transfer all or some of the property, rights and liabilities of the UK bank to a purchaser or Bank of England entity. A share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including the Bank) or its holding company (Barclays PLC) and warrants for such shares and bonds. The Banking Act powers apply regardless of any contractual restrictions and compensation may be payable in the context of both share transfer orders and property appropriation.

The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank or its holding company and its former group undertakings for reasonable consideration, in order to enable any transferee or successor bank of the UK bank to operate effectively. There is also power for the Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect. In addition, the Banking Act gives the Bank of England statutory responsibility for financial stability in the UK and for the oversight of payment systems.

FSCS

Banks, insurance companies and other financial institutions in the UK are subject to the FSCS which operates when an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Most deposits made with branches of the Bank within the European Economic Area (the "EEA") which are denominated in Sterling or other currencies are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as the Bank. As at 31 December 2011, the Group had accrued £58 million (2010: £63 million) for its share of the levies. The provision is based on estimates of the Group's market participation in the relevant charging periods and the interest the FSCS will pay on the facilities provided by HM Treasury in support of its obligations to depositors of banks declared in default (such facilities were, as at 31 December 2011, estimated by the Group to amount to £18.5 billion). While it is anticipated that the substantial majority of these facilities will be repaid wholly from recoveries from the institutions concerned, there is the risk of a shortfall, such that the FSCS may place additional levies on FSCS participants. For example, in July 2012, the FSCS announced an estimated shortfall of £0.8 billion, which it intends to collect in annual levies in 2013, 2014 and 2015. As at the date of this Prospectus, it was not possible to estimate the amount of any other potential additional levies or the Group's share. Consequently, in the event that the FSCS raises funds, raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group's results and financial condition.

Legal and litigation risk

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways:

- business may not be conducted in accordance with applicable laws around the world;

- contractual obligations may either not be enforceable as intended or may be enforced in an adverse way;
- intellectual property (such as trade names of the Group) may not be adequately protected; and
- liability for damages may be incurred to third parties harmed by the conduct of the Group's business.

The Group also faces risk where legal proceedings are brought against it. The Group is, and may in the future be, involved in various disputes, legal proceedings and regulatory investigations in various jurisdictions, including in the U.S. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in significant financial loss. Furthermore, the Group, like many other financial institutions, has come under greater regulatory scrutiny in recent years and expects that environment to continue particularly as it relates to compliance with new and existing corporate governance, employee compensation, conduct of business, anti-money laundering and anti-terrorism laws and regulations, as well as applicable international sanctions regimes. Defending legal proceedings and regulatory investigations is often expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful.

Adverse regulatory action or adverse judgments in legal proceedings could result in significant financial penalties and losses, restrictions or limitations on the Group's operations or have a significant adverse effect on the Group's reputation or results of operations, financial condition or prospects or result in a loss of value in securities issued by the Group.

Payment Protection Insurance risk

During 2011, the Bank agreed with the FSA that it would process all on-hold and any new complaints from customers about payment protection insurance ("PPI") policies. The Bank also announced that, as a goodwill gesture, it would pay out compensation to customers who had PPI complaints put on hold during the judicial review. A provision of £1 billion was recognised in the second quarter of 2011 to cover the cost of future redress and administration. On 26 April 2012 and 18 October 2012, following an increase in PPI complaint volumes, the Bank announced that it had increased the provision by a further £300 million and £700 million, respectively.

There are a number of assumptions which underpin the provision, including assumptions as to (i) the volume and number of claims; (ii) the percentage of claims that are upheld as being valid upon review; and (iii) the expected average payment to customers for upheld claims, which are subjective and liable to change. Consequently, there could be a change in the provision in the event that there is a significant change in the volume and number of customer claims, uphold rates or average payment. Any increase in the level of the provision may have a material adverse effect on the Group's results of operations, financial condition and prospects.

Cybersecurity risk

The Bank recognises the growing threats from cyberspace to our systems, including in respect of customer and our own information held on them and transactions processed through these systems. As at the date of this Prospectus, the Bank was not aware of any significant breaches of its systems from cyberspace. However, given the increasing sophistication and scope of potential attacks from cyberspace, it is possible that in the future such attacks may lead to significant breaches. Failure to manage cybersecurity risk adequately could impact the Group materially and adversely and could have a negative impact on the Group's performance or reputation.

Taxation risk

Taxation risk is the risk that the Group suffer losses arising from additional tax charges, financial penalties or reputational damage associated with failure to comply with procedures required by tax

authorities, changes in tax law and the interpretation of tax law. The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at an EU level, and is impacted by a number of double taxation agreements between countries. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

THE BANK AND THE GROUP

The Bank is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Bank is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

The Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services with an extensive international presence in Europe, United States, Africa and Asia. The whole of the issued ordinary share capital of the Bank is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of the Bank are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of the Bank are rated A+ by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Group's audited financial information for the year ended 31 December 2011, the Group had total assets of £1,563,402 million (2010: £1,490,038 million), total net loans and advances¹ of £478,726 million (2010: £465,741 million), total deposits² of £457,161 million (2010: £423,777 million), and total shareholders' equity of £65,170 million (2010: £62,641 million) (including non-controlling interests of £3,092 million (2010: £3,467 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2011 was £5,974 million (2010: £6,079 million) after credit impairment charges and other provisions of £3,802 million (2010: £5,672 million). The financial information in this paragraph is extracted from the audited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2011.

Based on the Group's unaudited financial information for the six months ended 30 June 2012, the Group had total assets of £1,631,298 million, total net loans and advances¹ of £503,505 million, total deposits² of £503,099 million, and total shareholders' equity of £63,641 million (including non-controlling interests of £2,957 million). The profit before tax from continuing operations of the Group for the six months ended 30 June 2012 was £604 million after credit impairment charges and other provisions of £1,832 million. The financial information in this paragraph is extracted from the unaudited Interim Results Announcement of Barclays Bank PLC for the six months ended 30 June 2012.

Acquisitions, Disposals and Recent Developments

Acquisition of ING Direct UK

¹ Total net loans and advances include balances relating to both bank and customer accounts.

² Total deposits include deposits from bank and customer accounts

On 9 October 2012, the Bank announced that it had agreed to acquire the deposits, mortgages and business assets of ING Direct UK. Under the terms of the transaction, the Bank will acquire a deposit book with balances of £10.9 billion and a mortgage book with outstanding balances of £5.6 billion (as at 31 August 2012). The mortgage book had a loan-to-value ratio of 50 per cent. as at 31 August 2012 and is being acquired at an approximate three per cent. discount. The deposit book is being acquired at par. Completion is subject, amongst other things, to regulatory approval and is expected to occur in the second quarter of 2013.

Disposal of stake in BlackRock, Inc.

On 22 May 2012, the Bank announced that it had agreed to dispose of the Bank's entire holding in BlackRock, Inc. ("**BlackRock**") pursuant to an underwritten public offer and a partial buy-back by BlackRock. On disposal, the Bank received net proceeds of approximately U.S.\$5.5 billion.

Disposal of private equity fund interests to AXA Private Equity

On 30 June 2011, the Bank announced that it had signed a definitive agreement to dispose of a €520 million portfolio of U.S. and European private equity interests held and managed by the Bank to AXA Private Equity. The portfolio includes investments in private equity funds as well as several direct private equity interests held by the Bank but does not include any investments managed by Barclays Private Equity. The disposal was completed on 30 September 2011.

Acquisition of Egg's UK credit card assets

On 1 March 2011, the Bank announced that it agreed to acquire Egg's UK credit card assets. Under the terms of the transaction, the Bank purchased Egg's UK credit card accounts, consisting of approximately 1.15 million credit card accounts with approximately £2.3 billion of gross receivables (each estimated as at 31 January 2011 with gross receivables estimated under IFRS). The acquisition was completed on 28 April 2011.

Competition and Regulatory Matters

Regulatory change

The scale of regulatory change remains challenging with a significant tightening of regulation and changes to regulatory structures globally, especially for banks that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries which, in some cases, is leading to increased or changing regulation which is likely to have a significant effect on the industry. Examples include Basel 3, the emerging proposals on bank resolution regimes and proposals relating to over-the-counter derivatives clearing and global systemically important banks.

In the UK, the FSA's current responsibilities are to be reallocated between the Prudential Regulatory Authority (a subsidiary of the Bank of England) and a new Financial Conduct Authority. In addition, the ICB completed its review of the UK banking system and published its final report on 12 September 2011. The ICB recommended (amongst other things) that: (i) the UK and EEA retail banking activities of a UK bank or building society should be placed in a legally distinct, operationally separate and economically independent entity (so-called "ring-fencing"); and (ii) the loss-absorbing capacity of ring-fenced banks and UK-headquartered global systemically important banks (such as the Bank) should be increased to levels higher than the Basel 3 proposals. The UK Government published a white paper setting out its proposals for taking forward implementation of the ICB recommendations in June 2012 and indicated that primary and secondary legislation will be completed by May 2015, with UK banks required to be compliant by 1 January 2019. Furthermore, in July 2012, the UK Parliament established a Parliamentary Commission on Banking Standards, which will consider and report on the professional standards and culture of the UK banking sector and corporate governance,

transparency and conflicts of interest. The Parliamentary Commission is due to report in December 2012 its findings and proposals for any legislative changes.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act contains far reaching regulatory reform. The full impact on the Bank's businesses and markets will not be known until the principal implementing rules are adopted in final form by governmental authorities, a process which is underway and which will take effect over several years.

Interchange

The Office of Fair Trading, as well as other competition authorities elsewhere in Europe, continues to investigate Visa and MasterCard credit and debit interchange rates. These investigations may have an impact on the consumer credit industry as well as having the potential for the imposition of fines. Timing is uncertain but outcomes may be known within the next 2-4 years.

London Interbank Offered Rate

The FSA, the U.S. Commodity Futures Trading Commission (the "**CFTC**"), the U.S. Securities and Exchange Commission (the "**SEC**"), the U.S. Department of Justice Fraud Section (the "**DOJ-FS**") and Antitrust Division and the European Commission are amongst various authorities conducting investigations (the "**Investigations**") into submissions made by the Bank and other panel members to the bodies that set various interbank offered rates, such as the London Interbank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**").

On 27 June 2012, the Bank announced that it had reached settlements with the FSA, the CFTC and the DOJ-FS in relation to the Investigations and the Bank has agreed to pay total penalties of £290 million (pounds sterling equivalent), which have been reflected in operating expenses for 2012. The settlements were made by entry into a Settlement Agreement with the FSA, a Non-Prosecution Agreement with the DOJ-FS and a Settlement Order Agreement with the CFTC. In addition, the Bank has been granted conditional leniency from the Antitrust Division of the Department of Justice in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR.

Please see "Legal Proceedings — LIBOR Civil Actions" for a discussion of litigation arising in connection with the Investigations.

On 6 July 2012, the UK Serious Fraud Office (the "**SFO**") announced that it had decided formally to accept the LIBOR matter for investigation.

Interest Rate Hedging Products

On 29 June 2012, the FSA announced that it had reached agreement with a number of UK banks (including the Bank) in relation to a review and redress exercise to be carried out in respect of interest rate hedging products sold to small and medium sized enterprises. The Bank took a provision of £450 million in the first half of 2012, reflecting £350 million for the costs of redress and £100 million to reflect the widening of credit spreads since the original products were entered into (and which the Bank expects to unwind over the life of the new arrangements). The ultimate cost of this exercise was (as at the date of this Prospectus) uncertain and the provision was based on a number of initial estimates relating to the appropriate implementation of the agreement. These estimates primarily relate to the number of customers that will be subject to the review and to the extent and nature of any redress payable. In this context, the appropriate provision level will be kept under ongoing review.

Other Matters

The FSA has commenced an investigation involving the Bank and four current and former senior employees, including Chris Lucas, Group Finance Director. The FSA is investigating the sufficiency of disclosure in relation to fees payable under certain commercial agreements and whether these may have related to capital raisings by Barclays PLC and the Bank in June and November 2008.

The Bank considers that it satisfied its disclosure obligations and confirms that it will cooperate fully with the FSA's investigation.

On 29 August 2012, Barclays PLC confirmed that the SFO has commenced an investigation into payments under certain commercial agreements between the Bank and Qatar Holding LLC.

On 31 October 2012, the Bank announced that it had been informed by the Department of Justice (the "DOJ") and the SEC that they are undertaking an investigation into whether the Group's relationships with third parties who assist the Group to win or retain business are compliant with the United States Foreign Corrupt Practices Act. The Bank is investigating and fully co-operating with the DOJ and SEC.

The United States Federal Energy Regulatory Commission (the "FERC") Office of Enforcement has been investigating the Group's power trading in the western US with respect to the period from late 2006 through 2008. On 31 October 2012, the FERC issued a public Order to Show Cause and Notice of Proposed Penalties (the "Order and Notice") against the Bank in relation to this matter. In the Order and Notice the FERC asserts that the Bank violated the FERC's Anti-Manipulation Rule by manipulating the electricity markets in and around California from November 2006 to December 2008. The FERC is proposing that the Bank pay a U.S.\$435 million civil penalty and disgorge an additional U.S.\$34.9 million of profits plus interest. The Bank intends to vigorously defend this matter.

Directors

The Directors of the Bank, each of whose business address is 1 Churchill Place, London E14 5HP, United Kingdom, their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

| <i>Name</i> | <i>Function(s) within the Group</i> | <i>Principal outside activities</i> |
|------------------|-------------------------------------|---|
| Sir David Walker | Chairman | International Advisory Board Member, National Bank of Kuwait; Senior Advisor, Morgan Stanley |
| Antony Jenkins | Group Chief Executive | — |
| Chris Lucas | Group Finance Director | — |
| David Booth | Non-Executive Director | — |
| Tim Breedon | Non-Executive Director | Senior Adviser, Legal & General PLC |
| Fulvio Conti | Non-Executive Director | Chief Executive Officer, Enel SpA; Director, AON Corporation; Independent Director, RCS MediaGroup S.p.A |
| Simon Fraser | Non-Executive Director | Non-Executive Director, Fidelity Japanese Values Plc and Fidelity European Values Plc; Chairman, Foreign & Colonial Investment Trust PLC; Chairman, Merchants Trust |

| <i>Name</i> | <i>Function(s) within the Group</i> | <i>Principal outside activities</i> |
|----------------------|---|--|
| | | PLC; Non-Executive Director, Ashmore Group PLC |
| Reuben Jeffery III | Non-Executive Director | Senior Adviser, Center for Strategic & International Studies; Chief Executive Officer, Rockefeller & Co., Inc. |
| Sir Andrew Likierman | Non-Executive Director | Dean of London Business School; Chairman, National Audit Office |
| Dambisa Moyo | Non-Executive Director | Non-Executive Director, SABMiller plc; Non-Executive Director, Barrick Gold Corporation |
| Sir Michael Rake | Deputy Chairman and Senior Independent Director | Chairman, BT Group PLC; Director, McGraw-Hill Companies; Chairman, EasyJet PLC |
| Sir John Sunderland | Non-Executive Director | Chairman, Merlin Entertainments Group; Non-Executive Director, AFC Energy plc |

No potential conflicts of interest exist between any duties to the Bank of the Directors listed above and their private interests or other duties.

Employees

As at 31 December 2011, the total number of persons employed by the Group (full time equivalents) was 141,100 (2010: 147,500).

Legal Proceedings

Lehman Brothers Holdings Inc.

On 15 September 2009, motions were filed in the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”) by Lehman Brothers Holdings Inc. (“**LBHI**”), the SIPA Trustee for Lehman Brothers Inc. (the “**Trustee**”) and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc. (the “**Committee**”). All three motions challenged certain aspects of the transaction pursuant to which Barclays Capital Inc. (“**BCI**”) and other companies in the Group acquired most of the assets of Lehman Brothers Inc. (“**LBI**”) in September 2008 and the court order approving such sale (the “**Sale**”). The claimants were seeking an order voiding the transfer of certain assets to BCI; requiring BCI to return to the LBI estate alleged excess value BCI received; and declaring that BCI is not entitled to certain assets that it claims pursuant to the sale documents and order approving the Sale (the “**Rule 60 Claims**”). On 16 November 2009, LBHI, the Trustee and the Committee filed separate complaints in the Bankruptcy Court asserting claims against BCI based on the same underlying allegations as the pending motions and seeking relief similar to that which is requested in the motions. On 29 January 2010, BCI filed its response to the motions and also filed a motion seeking delivery of certain assets that LBHI and LBI have failed to deliver as required by the sale documents and the court order approving the Sale (together with the Trustee’s competing claims to those assets, the “**Contract Claims**”). Approximately U.S.\$4.3 billion (£2.8 billion) of the assets acquired as part of the acquisition had not been received by 30 June 2012, approximately U.S.\$3.0 billion (£1.9 billion) of which were recognised as part of the accounting for the acquisition and are included in

the balance sheet as at 30 June 2012. This results in an effective provision of U.S.\$1.3 billion (£0.8 billion) against the uncertainty inherent in the litigation.

On 22 February 2011, the Bankruptcy Court issued its Opinion in relation to these matters, rejecting the Rule 60 Claims and deciding some of the Contract Claims in the Trustee's favour and some in favour of BCI. On 15 July 2011, the Bankruptcy Court entered final Orders implementing its Opinion. BCI and the Trustee each appealed the Bankruptcy Court's adverse rulings on the Contract Claims to the United States District Court for the Southern District of New York (the "**District Court**"). LBHI and the Committee did not pursue an appeal from the Bankruptcy Court's ruling on the Rule 60 Claims. After briefing and argument, the District Court issued its Opinion on 5 June 2012, in which it reversed one of the Bankruptcy Court's rulings on the Contract Claims that had been adverse to BCI and affirmed the Bankruptcy Court's other rulings on the Contract Claims. On 17 July 2012, the District Court issued an amended Opinion, correcting certain errors but not otherwise affecting the rulings, and an agreed judgment implementing the rulings in the Opinion (the "**Judgment**"). BCI and the Trustee have each filed a notice of appeal from the adverse rulings of the District Court to the United States Court of Appeals for the Second Circuit.

Under the Judgment, BCI is entitled to receive: (i) U.S.\$1.1 billion (£0.7 billion) from the Trustee in respect of "clearance box" assets; (ii) property held at various institutions to secure obligations under the exchange-traded derivatives transferred to BCI in the Sale (the "**ETD Margin**"), subject to the proviso that BCI will be entitled to receive U.S.\$507 million (£0.3 billion) of the ETD Margin only if and to the extent the Trustee has assets available once the Trustee has satisfied all of LBI's customer claims; and (iii) U.S.\$769 million (£0.5 billion) from the Trustee in respect of LBI's 15c3-3 reserve account assets only if and to the extent the Trustee has assets available once the Trustee has satisfied all of LBI's customer claims.

A portion of the ETD Margin which has not yet been recovered by BCI or the Trustee is held or owed by certain institutions outside the United States (including several Lehman affiliates that are subject to insolvency or similar proceedings). As at the date of this Prospectus, the Bank cannot reliably estimate at this time how much of the ETD Margin held or owed by such institutions BCI is ultimately likely to receive. Further, the Bank cannot reliably estimate (as at the date of this Prospectus) if and to the extent the Trustee will have assets remaining available to it to pay BCI the U.S.\$507 million (£0.3 billion) in respect of ETD Margin or the U.S.\$769 million (£0.5 billion) in respect of LBI's 15c3-3 reserve account assets after satisfying all of LBI's customer claims. If the District Court's rulings were to be unaffected by future proceedings, the Bank estimates that after taking into account the effective provision of U.S.\$1.3 billion (£0.8 billion) its loss would be approximately U.S.\$0.9 billion (£0.6 billion), conservatively assuming no recovery by BCI of any of the ETD Margin not yet recovered by BCI or the Trustee that is held or owed by institutions outside the United States and no recovery by BCI of the U.S.\$507 million (£0.3 billion) in respect of ETD Margin or the U.S.\$769 million (£0.5 billion) in respect of LBI's 15c3-3 reserve account assets. Any such loss, however, was not (as at the date of this Prospectus) considered probable and the Bank is satisfied with the current level of provision.

American Depositary Shares

The Bank, Barclays PLC and various current and former members of Barclays PLC's Board of Directors have been named as defendants in five proposed securities class actions (which have been consolidated) pending in the United States District Court for the Southern District of New York (the "**Court**"). The consolidated amended complaint, dated 12 February 2010, alleges that the registration statements relating to American Depositary Shares representing Preferred Stock, Series 2, 3, 4 and 5 (the "**ADS**") offered by the Bank at various times between 2006 and 2008 contained misstatements and omissions concerning (amongst other things) the Bank's portfolio of mortgage-related (including U.S. subprime-related) securities, the Bank's exposure to mortgage and credit market risk and the Bank's financial condition. The consolidated amended complaint asserts claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933. On 5 January

2011, the Court issued an order and, on 7 January 2011, judgment was entered, granting the defendants' motion to dismiss the complaint in its entirety and closing the case. On 4 February 2011, the plaintiffs filed a motion asking the Court to reconsider in part its dismissal order. On 31 May 2011, the Court denied in full the plaintiffs' motion for reconsideration. The plaintiffs have appealed both decisions (the grant of the defendants' motion to dismiss and the denial of the plaintiffs' motion for reconsideration) to the United States Court of Appeals for the Second Circuit.

The Bank considers that these ADS-related claims against it are without merit and is defending them vigorously. As at the date of this Prospectus, it was not practicable to estimate the Bank's possible loss in relation to these claims or any effect that they might have upon operating results in any particular financial period.

U.S. Federal Housing Finance Agency and other residential mortgage-backed securities litigation

The U.S. Federal Housing Finance Agency ("**FHFA**"), acting for two U.S. government sponsored enterprises, Fannie Mae and Freddie Mac (collectively, the "**GSEs**"), filed lawsuits against 17 financial institutions in connection with the GSEs' purchases of residential mortgage-backed securities ("**RMBS**"). The lawsuits allege, amongst other things, that the RMBS offering materials contained materially false and misleading statements and/or omissions. The Bank and/or certain of its affiliates or former employees are named in two of these lawsuits, relating to sales between 2005 and 2007 of RMBS, in which BCI was lead or co-lead underwriter.

Both complaints demand, amongst other things: rescission and recovery of the consideration paid for the RMBS; and recovery for the GSEs' alleged monetary losses arising out of their ownership of the RMBS. The complaints are similar to other civil actions filed against the Bank and/or certain of its affiliates by other plaintiffs, including the Federal Home Loan Bank of Seattle, Federal Home Loan Bank of Boston, Federal Home Loan Bank of Chicago, Cambridge Place Investment Management, Inc., HSH Nordbank AG (and affiliates), Sealink Funding Limited, Landesbank Baden-Württemberg (and affiliates), Deutsche Zentral-Genossenschaftsbank AG (and affiliates) and Stichting Pensioenfonds ABP, relating to their purchases of RMBS. The Bank considers that the claims against it are without merit and intends to defend them vigorously.

The original amount of RMBS related to the claims against the Bank in these cases totalled approximately U.S.\$7.6 billion, of which approximately U.S.\$2.4 billion was outstanding as at 30 June 2012. Cumulative losses reported on these RMBS as at 30 June 2012 were approximately U.S.\$0.2 billion. If the Bank were to lose these cases it could incur a loss of up to the outstanding amount of the RMBS as at the time of judgment (taking into account further principal payments after 30 June 2012), plus any cumulative losses on the RMBS at such time and any interest, fees and costs, less the market value of the RMBS at such time. The Bank has estimated the total market value of the RMBS as at 30 June 2012 to be approximately U.S.\$1.3 billion. The Bank may be entitled to indemnification for a portion of any losses.

Devonshire Trust

On 13 January 2009, the Bank commenced an action in the Ontario Superior Court (the "**Court**") seeking an order that its early terminations earlier that day of two credit default swaps under an ISDA Master Agreement with the Devonshire Trust ("**Devonshire**"), an asset-backed commercial paper conduit trust, were valid. On the same day, Devonshire purported to terminate the swaps on the ground that the Bank had failed to provide liquidity support to Devonshire's commercial paper when required to do so. On 7 September 2011, the Court ruled that the Bank's early terminations were invalid, Devonshire's early terminations were valid and, consequently, Devonshire was entitled to receive back from the Bank cash collateral of approximately C\$533 million together with accrued interest thereon. The Bank is appealing the Court's decision. If the Court's decision were to be unaffected by future proceedings, the Bank estimates that its loss would be approximately C\$500 million, less any impairment provisions taken by the Bank for this matter.

LIBOR Civil Actions

The Bank and other banks have been named as defendants in class action lawsuits filed in United States Federal Courts in connection with their roles as contributor panel banks to U.S. Dollar LIBOR, the first of which was filed on 15 April 2011. The complaints are substantially similar and allege, amongst other things, that the Bank and the other banks individually and collectively violated various provisions of the Sherman Act, the U.S. Commodity Exchange Act and various state laws by suppressing U.S. Dollar LIBOR rates. The Bank is also named along with other banks in three individual lawsuits by Charles Schwab & Co., Inc. and/or its affiliates, which allege substantially similar claims, as well as violations of the U.S. Racketeer Influenced and Corrupt Organizations Act (“**RICO**”). The lawsuits seek an unspecified amount of damages and trebling of damages under the Sherman and RICO Acts.

An additional class action was commenced on 30 April 2012 in the United States District Court for the Southern District of New York (the “**District Court**”) against the Bank and other Japanese Yen LIBOR panel banks by plaintiffs involved in exchange-traded derivatives. The complaint also names members of the Japanese Bankers Association’s Euroyen Tokyo Interbank Offered Rate (“**TIBOR**”) panel, of which the Bank is not a member. The complaint alleges, amongst other things, manipulation of the Euroyen TIBOR and Yen LIBOR rates and breaches of US antitrust laws between 2006 and 2010.

A further class action was commenced on 6 July 2012 in the District Court against the Bank and other EURIBOR panel banks by plaintiffs that purchased or sold EURIBOR-related financial instruments. The complaint alleges, amongst other things, manipulation of the EURIBOR rate and breaches of the Sherman Act and the U.S. Commodity Exchange Act beginning as early as 1 January 2005 and continuing through to 31 December 2009. The Bank has been granted conditional leniency from the Antitrust Division of the DOJ in connection with potential U.S. antitrust law violations with respect to financial instruments that reference EURIBOR. As a result of that grant of conditional leniency, the Bank is eligible for (i) a limit on liability to actual rather than treble damages if damages were to be awarded in any civil antitrust action under U.S. antitrust law based on conduct covered by the conditional leniency; and (ii) relief from potential joint-and-several liability in connection with such civil antitrust action, subject to the Bank satisfying the DOJ and the court presiding over the civil litigation of its satisfaction of its cooperation obligations.

The Bank has also been named as a defendant along with a current and former member of its Board of Directors in a proposed securities class action pending in the District Court in connection with the Bank’s role as a contributor panel bank to LIBOR. The complaint alleges that the Bank’s Annual Reports for the years 2006 to 2011 contained misstatements and omissions concerning (amongst other things) the Bank’s compliance with its operational risk management processes and certain laws and regulations. The complaint is brought on behalf of a proposed class consisting of all persons or entities (other than the defendants) that purchased American Depositary Receipts sponsored by the Bank on an American securities exchange between 10 July 2007 and 27 June 2012. The complaint asserts claims under Sections 10(b) and 20(a) of the U.S. Securities Exchange Act 1934.

As at the date of this Prospectus, it was not practicable to provide an estimate of the financial impact of the potential exposure of any of the actions described or what effect, if any, that they might have upon operating results, cash flows or the Bank’s or Group’s financial position in any particular period.

Other

Barclays PLC, the Bank and the Group are engaged in various other legal proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against it which arise in the ordinary course of business, including debt collection,

consumer claims and contractual disputes. The Bank does not expect the ultimate resolution of any of these proceedings to which the Group is party to have a material adverse effect on its results of operations, cash flows or the financial position of the Group and the Bank has not disclosed the contingent liabilities associated with these claims either because they cannot reliably be estimated or because such disclosure could be prejudicial to the conduct of the claims. Provisions have been recognised for those cases where the Bank is able reliably to estimate the probable loss where the probable loss is not de minimis.

Save as disclosed under “— Lehman Brothers Holdings Inc.”, “— American Depositary Shares”, “— U.S. Federal Housing Finance Agency and other residential mortgage-backed securities litigation”, “— Devonshire Trust”, “— LIBOR Civil Actions” and “— Other” above, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have or have had during the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Bank and/or the Group.

Significant Change Statement

There has been no significant change in the financial or trading position of the Bank or the Group since 30 June 2012.

Material Adverse Change Statement

There has been no material adverse change in the prospects of the Bank or the Group since 31 December 2011.

INFORMATION CONCERNING THE BANK OF NEW YORK MELLON

In addition to the Issuer, The Bank of New York Mellon (formerly known as The Bank of New York) accepts responsibility for the following information as provided in the section of this Prospectus headed "Responsibility Statement". None of the Arranger, the Trustee, the Swap Counterparty or any of the other Programme Parties (other than The Bank of New York Mellon) has verified, or accepts any responsibility whatsoever for the accuracy or completeness of, such information and prospective investors in the Notes should make their own independent investigations and enquiries in respect thereof and into The Bank of New York Mellon.

The Bank of New York Mellon, a wholly owned subsidiary of The Bank of New York Mellon Corporation, is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at One Wall Street, New York, NY 10286, USA and having a branch registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situated at One Canada Square, London E14 5AL.

The Bank of New York Mellon's corporate trust business services \$12 trillion in outstanding debt from 55 locations around the world. It services all major debt categories, including corporate and municipal debt, mortgage-backed and asset-backed securities, collateralized debt obligations, derivative securities and international debt offerings. The Bank of New York Mellon's corporate trust and agency services are delivered through The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has more than \$23 trillion in assets under custody and administration and more than \$1.1 trillion in assets under management. Additional information is available at www.bnymellon.com.

INFORMATION CONCERNING BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED

In addition to the Issuer, BNY Mellon Corporate Trustee Services Limited (the “Trustee”) accepts responsibility for the following information as provided in the section of this Prospectus headed “Responsibility Statement”. None of the Arranger, the Swap Counterparty or any of the other Programme Parties (other than the Trustee) has verified, or accepts any responsibility whatsoever for the accuracy or completeness of, such information and prospective investors in the Notes should make their own independent investigations and enquiries in respect thereof and into BNY Mellon Corporate Trustee Services Limited.

BNY Mellon Corporate Trustee Services Limited will be appointed pursuant to the Trust Deed as Trustee for the Noteholders.

The Trustee was formerly known as J.P. Morgan Corporate Trustee Services Limited. On 2 October 2006 the Trustee changed its name to BNY Corporate Trustee Services Limited and, subsequently, on 1 March 2011 the Trustee changed its name to BNY Mellon Corporate Trustee Services Limited.

The Trustee is a wholly owned subsidiary of BNY International Financing Corporation and administers a substantial and diverse portfolio of corporate trusteeships for both domestic and foreign companies and institutions.

The Trustee's registered office and principal place of business is at One Canada Square, London E14 5AL.

GENERAL INFORMATION

1. Interests of Natural and Legal Persons Involved in the Issue

Save as discussed in “Risk Factors – Conflicts of Interest” in the Base Prospectus and in this document, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.

2. Reasons for the Issue and Estimated Total Expenses relating to the Admission to Trading

Reasons for the Issue: The net proceeds of the issue of the Notes were used by the Issuer on the Issue Date to satisfy its initial payment obligation under the Charged Agreement.

Estimated Total Expenses: USD 10,000.00.

3. Yield

Details of the interest payable under the Notes are set out in Paragraph 13 of “Conditions of the Notes” above.

4. Resolutions, Authorisations and Approvals by virtue of which the Notes have been Issued

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 15 June 2012.

5. Cash Flow and Flow of Funds

Pursuant to the Charged Agreement, the Buyer Payment Amount (as defined in the Charged Agreement) and the amount payable by the Buyer pursuant to paragraph 3 (Final Exchange) of the Confirmation (as defined in the Charged Agreement) will be paid to the Issuer for payment to the Noteholders by the Principal Paying Agent in respect of amounts due in respect of the Notes.

6. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the twelve months prior to the date hereof a significant effect on the Issuer’s financial position or profitability.

7. Post-Issuance Reporting

The Issuer does not intend to provide post-issuance information.

8. Documents on Display

From the date of this Prospectus and for so long as any Notes remain outstanding, the Issuer will make available for inspection physical copies of the memorandum and articles of association of the Issuer during the usual business hours on any weekday (except Saturdays and Sundays and public holidays) at the specified office of each of the Principal Paying Agent and the Irish Listing Agent.

9. **Swap Counterparty**

The Swap Counterparty has securities admitted to trading on the regulated market of the London Stock Exchange.

DESCRIPTION OF THE INITIAL CHARGED ASSETS

The Issuer accepts responsibility for the following information as provided in the section of this Prospectus headed "Responsibility Statement". The following information and any other information contained in this Prospectus relating to the Initial Charged Assets is a summary only of certain terms and conditions of such Initial Charged Assets, and has been reproduced from the website of the Ministry of Finance Japan and Bloomberg. None of the Arranger, the Trustee, the Swap Counterparty or any of the other Programme Parties has verified, or accepts any responsibility whatsoever for the accuracy or completeness of, such information and prospective investors in the Notes should make their own independent investigations and enquiries in respect thereof and into the Initial Charged Assets and the issuer thereof.

| | |
|--|---|
| Issuer: | The Government of Japan. |
| Description: | On the Issue Date, the Initial Charged Assets shall comprise JPY 1,000,000,000 principal amount of an issue by the Government of Japan No. 286 1.80 per cent. Bonds due 20 June 2017 (ISIN: JP1102861760). |
| Issue Size: | JPY 4,391,622,000,000 |
| Specified Currency or Currencies: | JPY. |
| Aggregate Nominal Amount: | JPY 1,000,000,000. |
| Interest: | 1.80 per cent. per annum. |
| Interest Basis: | Fixed. |
| Legal Maturity Date: | 20 June 2017. |
| ISIN: | JP1102861760. |
| Name of Exchange on which Charged Assets are Listed: | Tokyo Stock Exchange, Osaka Stock Exchange and Nagoya Stock Exchange. The issuer of the Initial Charged Assets also has securities admitted to trading on the regulated market of the London Stock Exchange. |
| Governing Law: | Japanese |

DESCRIPTION OF THE REFERENCE ENTITY

The Issuer accepts responsibility for the following information as provided in the section of this Prospectus headed "Responsibility Statement". The following information and any other information contained in this Prospectus relating to the Reference Entity has been reproduced from the website of the Tokyo Stock Exchange and Bloomberg. More details regarding the Reference Entity can be found at the website of the Reference Entity (www.ojiholdings.co.jp/english). None of the Arranger, the Trustee, the Swap Counterparty or any of the other Programme Parties has verified, or accepts any responsibility whatsoever for the accuracy or completeness of, such information and prospective investors in the Notes should make their own independent investigations and enquiries in respect thereof and into the Reference Entity.

| | |
|---|---|
| Name: | Oji Holdings Corporation (formerly known as Oji Paper Co., Ltd.) |
| Address: | 7-5, Ginza 4-chome, Chuo-ku, Tokyo 104-0061 Japan |
| Country of Incorporation: | Japan |
| Description: | The Reference Entity manufactures paper, pulp, and processed paper goods, including newsprint, carbonless paper, wrapping and packaging paper, and paperboard. The Reference Entity also produces sanitary paper goods such as disposable diapers. The Reference Entity has forests in Japan and overseas, and operates forestry, timber sales, and real estate businesses. |
| Name of Exchange on which Securities issued by the Reference Entity are Listed: | The Reference Entity has securities listed on the First Section of the Tokyo Stock Exchange and the First Section of the Osaka Stock Exchange. |

ANNEX 1: FORM OF CHARGED AGREEMENT

CONFIRMATION OF CREDIT SWAP TRANSACTION

Date: 20 June 2012

To: ARLO XII Limited

From: Barclays Bank PLC

Re: Credit Swap Transaction

The purpose of this communication, including the Exhibits hereto (this “**Confirmation**”), is to confirm the terms and conditions of the Credit Derivative Transaction entered into between us on 20 June 2012 (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2006 ISDA Definitions and the 2003 ISDA Credit Derivatives Definitions as supplemented by (i) the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and (ii) where stated as applicable, the Credit Derivatives Physical Settlement Matrix published on 3 April 2012 (the “**Physical Settlement Matrix**”), each as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”) (collectively, the “**Credit Derivatives Definitions**”) are incorporated into this Confirmation. In the event of any inconsistency between the Credit Derivatives Definitions, the 2006 ISDA Definitions and this Confirmation, this Confirmation will govern. For the avoidance of doubt, (i) references to “Auction Settlement” and “Fallback Settlement Method” in the Physical Settlement Matrix shall not be interpreted to amend the Settlement Method applicable to this Confirmation; and (ii) the March 2009 Supplement and the July 2009 Supplement each to the 2003 ISDA Credit Derivatives Definitions shall not apply to this Confirmation (except for the purposes of certain definitions used in the definition of “Notice Delivery Period” below).

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of 20 June 2012, as amended and supplemented from time to time (the “**Agreement**”), entered into by you and us by our execution of the Constituting Instrument dated 20 June 2012 (the “**Constituting Instrument**”), by and among the parties thereto for purposes of constituting the Series 2012 (CLN-7) JPY 1,000,000,000 Secured Limited Recourse Credit Linked Notes due 27 June 2017 (the “**Notes**”) of the Issuer under its USD 5,000,000,000 Programme for the issue of Notes and the making of Alternative Investments (the “**Programme**”). All provisions contained in the Agreement govern this Confirmation except as expressly modified below. All terms defined in the Agreement and not otherwise defined herein shall have the meanings assigned in the Agreement. References to “**Notes**”, a “**Condition**” in respect of the Notes and any other capitalised term that is used but not defined herein, the Agreement or the Credit Derivatives Definitions shall have their respective meanings as defined in the Constituting Instrument.

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

1. **General Terms:**

Trade Date: 30 May 2012

Effective Date: 20 June 2012, provided that for the purposes of Section 3.3 (*Credit Event Notice*) the Effective Date shall be 30 May 2012.

Scheduled Termination Date: The earlier of (i) the Specified Date, or if later, the date falling three (3) Business Days immediately following the Extension Date and (ii) the Early Termination Date (as defined herein), provided that, in the event of a determination by the Calculation

Agent in its sole and absolute discretion that the Reference Entity is, or may be, the subject of a Credit Event on or prior to the Specified Date or, if applicable, the Extension Date, the final day of the Notice Delivery Period (as defined below).

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|---------------------------------|--|---------|---------------------|-----------|----------------|---------|------------------|-------|--------------|
| Specified Date: | 27 June 2017 | | | | | | | | |
| Extension Date: | A date specified by Buyer in an Extension Notice (as defined in Paragraph 5(C) below) that is not later than 14 calendar days after the Specified Date. | | | | | | | | |
| Floating Rate Payer: | ARLO XII Limited (" Seller "). | | | | | | | | |
| Fixed Rate Payer: | Barclays Bank PLC (" Buyer "). | | | | | | | | |
| Calculation Agent: | Barclays Bank PLC. | | | | | | | | |
| Calculation Agent City: | Tokyo. | | | | | | | | |
| Business Days: | Tokyo, London and New York. | | | | | | | | |
| Business Day Convention: | Modified Following (which, subject to Sections 1.5 and 1.6 of the Credit Derivatives Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day). | | | | | | | | |
| Reference Entity: | Oji Paper Co., Ltd. and any Successors. | | | | | | | | |
| Reference Obligation: | In respect of the Reference Entity, (i) for the purposes of "Settlement Terms" in paragraph 6 below and Article VII of the Credit Derivatives Definitions, an obligation of the Reference Entity satisfying the definition of Deliverable Obligation in accordance with Section 2.15 of the Credit Derivatives Definitions, for which purpose the Deliverable Obligation Category and the Deliverable Obligation Characteristics specified below shall apply; and (ii) for all other purposes (including for the purposes of Section 2.15 of the Credit Derivatives Definitions), the Specified Reference Obligation as defined below. | | | | | | | | |
| Specified Reference Obligation: | <p>The obligation identified as follows:</p> <table> <tr> <td>Issuer:</td><td>Oji Paper Co., Ltd.</td></tr> <tr> <td>Maturity:</td><td>19 August 2013</td></tr> <tr> <td>Coupon:</td><td>1.25 % per annum</td></tr> <tr> <td>ISIN:</td><td>JP317441B388</td></tr> </table> | Issuer: | Oji Paper Co., Ltd. | Maturity: | 19 August 2013 | Coupon: | 1.25 % per annum | ISIN: | JP317441B388 |
| Issuer: | Oji Paper Co., Ltd. | | | | | | | | |
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| Coupon: | 1.25 % per annum | | | | | | | | |
| ISIN: | JP317441B388 | | | | | | | | |
| All Guarantees: | Applicable. | | | | | | | | |
| Reference Price: | 100 per cent. | | | | | | | | |

2. **Initial Exchange:**

On 20 June 2012, Seller shall pay to Buyer JPY 996,250,000 (the “**Initial Exchange Amount**”) and Buyer shall deliver to or to the order of Seller the Initial Charged Assets (free and clear of all charges, liens and other encumbrances but together with the benefit of all rights and entitlements attaching thereto at any time after the date of delivery). It is a condition precedent to Buyer’s obligation to deliver the Initial Charged Assets and to pay any Buyer Payments that Seller has paid the Initial Exchange Amount on 20 June 2012.

3. **Final Exchange:**

On the date that falls one Business Day prior to the Scheduled Termination Date Buyer shall pay to Seller an amount equal to the aggregate Redemption Amount of the Notes and Seller shall (a) pay any amounts standing to the credit of the Custody Cash Account(s) to or to the order of Buyer, and (b) deliver the Charged Assets to or to the order of Buyer, in each case to the extent not required by Seller to discharge its obligations in respect of the Notes or otherwise paid or delivered under the provisions hereof.

4. **Buyer Payments:**

- A. Periodic Payments: With respect to each Buyer Calculation Period under this paragraph 4A, Buyer will pay on the Buyer Payment Date in respect of such Buyer Calculation Period the Buyer Payment Amount.

Buyer Period End Dates: 27 June and 27 December in each year from (and including) 27 December 2012 to (and including) the Scheduled Termination Date.

Buyer Payment Amount: The sum of (a) the Buyer Payment Amount A and (b) the Fixed Amount.

Buyer Payment Date: One Business Day prior to each Buyer Period End Date.

Buyer Calculation Period: The period from (and including) a Buyer Period End Date (or in respect of the first Buyer Calculation Period, one Business Day immediately following the Effective Date) to (but excluding) the next (or first) Buyer Period End Date.

Buyer Payment Amount A:

Buyer Calculation Amount A: JPY 1,000,000,000

Buyer Payment Amount A: With respect to each Buyer Calculation Period, an amount determined by the Calculation Agent equal to:

- (1) the Buyer Calculation Amount A; multiplied by
- (2) the Floating Rate for such Buyer Calculation Period determined by the Calculation Agent on the day that is two London Banking Days preceding the Reset Date pursuant to the 2006 ISDA Definitions (the “**2006 Definitions**”) and based on the Floating Rate Option and Designated Maturity specified below; multiplied by

- (3) a fraction, the numerator of which equals the actual number of days in such Buyer Calculation Period and the denominator of which is 360,

provided that upon the occurrence of an Event Determination Date or a Bond Event Notice Delivery Date, the Buyer Payment Amount A shall cease to accrue or be payable from (and including) such Event Determination Date or the Buyer Period End Date immediately preceding such Bond Event Notice Delivery Date (or, if there is no preceding Buyer Period End Date, one Business Day immediately following the Effective Date).

Provided further that if there is an Extension Date and either:

- (1) an Event Determination Date has not occurred on or prior to the Extension Date; or
- (2) a Bond Event Notice Delivery Date has not occurred on or prior to the Extension Date,

then, with respect to the applicable Buyer Calculation Period (which shall be the period from, and including, the Specified Date to, but excluding, the Extension Date), the Buyer Payment Amount A shall be an amount equal to:

- (1) the portion of the Redemption Proceeds attributable to a redemption of the Initial Charged Assets credited to the relevant Custody Cash Account; multiplied by
- (2) the Barclays Overnight Rate; multiplied by
- (3) a fraction, the numerator of which equals the actual number of days from, and including, the Specified Date to, but excluding, the Extension Date, and the denominator of which is 360.

“Barclays Overnight Rate” means the offered rate of the Buyer for overnight deposits in JPY in an amount equal to the portion of the Redemption Proceeds attributable to a redemption of the Initial Charged Assets credited to the relevant Custody Cash Account.

| | |
|-----------------------|---|
| Reset Date | First day of a Buyer Calculation Period |
| Floating Rate Option: | JPY-LIBOR-BBA |
| Designated Maturity: | Linear Interpolation of six months and seven months in respect of the first Buyer Calculation Period. |
| | Six month in respect of each Buyer Calculation Period thereafter. |

Fixed Amount:

Fixed Rate Calculation Amount: JPY 1,000,000,000

Fixed Rate: 1.16 per cent. per annum

Fixed Amount: With respect to each Buyer Calculation Period, an amount determined by the Calculation Agent equal to:

- (1) the Fixed Rate Calculation Amount; multiplied by
- (2) the Fixed Rate; multiplied by
- (3) a fraction, the numerator of which equals the actual number of days in such Buyer Calculation Period and the denominator of which is 360,

provided that:

- (a) the final Buyer Period End Date in respect of any Fixed Amount payable shall fall no later than the Specified Date; and
- (b) upon the occurrence of an Event Determination Date or a Bond Event Notice Delivery Date, the Fixed Amount shall cease to accrue or be payable from (and including) such Event Determination Date or the Buyer Period End Date immediately preceding such Bond Event Notice Delivery Date (or, if there is no preceding Buyer Period End Date, one Business Day immediately following the Effective Date).

B. Initial Payment: None.

C. Final Payments: None.

5. Seller Payments:

- A. Periodic Payments:
- (i) On each Variable Amount Payment Date, Seller shall pay Buyer the Variable Amount in respect of such Variable Amount Payment Date; and
 - (ii) on each respective Custody Account Interest Payment Date, Seller shall pay Buyer an amount equal to the respective Custody Account Interest Amount accrued up to but excluding such Custody Account Interest Payment Date.

Variable Amount Payment Dates: The Business Day immediately following the Charged Assets Payment Date.

Charged Assets Payment Date: From and including the Effective Date, each date (without regard to any grace period or the satisfaction of any conditions precedent to the commencement of such grace period) upon which a payment of interest is stated to be due under any Charged Assets held by Seller from time to time (for the avoidance of doubt, as may be adjusted pursuant to the terms of the Credit Support Annex) in accordance with the terms and conditions of such Charged Assets in effect as at the Trade Date.

Variable Amounts: In respect of each Variable Amount Payment Date, an amount equal to each payment of interest stated to be due on the immediately preceding Charged Assets Payment Date in respect

of the relevant Charged Assets held by Seller from time to time (for the avoidance of doubt, as may be adjusted pursuant to the terms of the Credit Support Annex) in accordance with the terms and conditions of such Charged Assets in effect as at the Trade Date.

Conditions to
Settlement:

Credit Event Notice

Notifying Party: Buyer

Notice of Publicly Available Information: Applicable

Public Sources: As specified in Section 3.7.

Specified Number: Two

Credit Events:

Bankruptcy

Failure to Pay

Payment Requirement: If the Variable Amount is in JPY, JPY 100,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay. In all other cases, USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.

Restructuring

Multiple Holder Obligation: Not Applicable

Default Requirement: If the Variable Amount is in JPY, JPY 1,000,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event. In all other cases, USD 10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

Grace Period
Extension:

Not applicable

Obligations:

The Specified Reference Obligation and any other obligation of the Reference Entity (either directly or as provider of any Qualifying Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) as described in accordance with the Obligation Category and Obligation Characteristics set out below.

Obligation Category:

Borrowed Money

Obligation
Characteristics:

Not Subordinated

Excluded Obligations:

None

6. **Settlement Terms:**

**Terms Relating to
Cash Settlement:**

Settlement Method: For purposes of the Credit Derivatives Definitions, Cash Settlement shall apply, provided however that Section 7.1 of the Credit Derivatives Definitions shall not apply and in lieu of the payment of any Cash Settlement Amount, the Adjusted Notional Amount (as defined below) will be determined upon the determination of the Cash Settlement Amount and the settlement procedure set out in "Credit Event Settlement" below shall apply.

Cash Settlement Amount: In respect of the Reference Entity, the sum of:

- (1) the greater of (i) (a) the Buyer Calculation Amount multiplied by (b) the Reference Price minus the Final Price for such Reference Entity and (ii) zero; and
- (2) the Costs.

Reference Price: 100 per cent.

Final Price: In respect of the Reference Obligation, the price of such Reference Obligation (expressed as a percentage) which shall be determined by the Calculation Agent in its sole and absolute discretion in accordance with:

- (a) the relevant Auction Final Price in respect of the Reference Entity of such Reference Obligation determined in accordance with the relevant Credit Derivatives Auction Settlement Terms, if a Credit Derivatives Auction Settlement Terms is published by ISDA in respect of such Reference Entity that is the subject of a Credit Event; or
- (b) the specified Valuation Method.

For the avoidance of doubt, the Calculation Agent shall be entitled to determine the Final Price, and shall have the sole and absolute discretion in determining the Final Price, based on either the Credit Derivatives Auction Settlement Terms set out in paragraph (a) above or the specified Valuation Method set out in paragraph (b) above.

For the avoidance of doubt, if the Calculation Agent in its sole and absolute discretion elects to apply the relevant Credit Derivatives Auction Settlement Terms in respect of a Reference Entity and both a Senior Auction and a Subordinate Auction are held pursuant to such Credit Derivatives Auction Settlement Terms, then (i) the Final Price in respect of such Reference Obligation specified as a "Senior" Reference Obligation shall be the Auction Final Price determined pursuant to the Senior Auction and (ii) the Final Price in respect of such Reference Obligation specified as a "Subordinated" or "Sub" Reference Obligation shall be the Auction Final Price determined pursuant to the Senior Auction or the Subordinate Auction, such Auction

Final Price whether pursuant to the Senior Auction or the Subordinate Auction shall be selected by the Calculation Agent in its sole and absolute discretion, in each case as determined by the Calculation Agent in its sole and absolute discretion at that time.

Where the Credit Event is a Restructuring, the Calculation Agent shall select (in its sole and absolute discretion) which of the Credit Derivatives Auction Settlement Terms shall apply in a commercially reasonable manner in accordance with the current market practice by reference to the Specified Date.

Where the Final Price is to be determined in accordance with the relevant Credit Derivatives Auction Settlement Terms, the Calculation Agent shall be entitled to amend any other terms of the Notes to be consistent with the provisions of such Credit Derivatives Auction Settlement Terms in its sole and absolute discretion. The determination of a Final Price in accordance with the Credit Derivatives Auction Settlement Terms or, as the case may be, the specified Valuation Method, shall be binding on the Noteholders.

The Calculation Agent shall, as soon as reasonably practicable, notify the Rating Agency in writing of its election of determining the Final Price in accordance with the Credit Derivatives Auction Settlement Terms or the Valuation Method.

“Auction Final Price” means the price, if any, determined to be the Auction Final Price pursuant to the relevant Credit Derivatives Auction Settlement Terms.

“Credit Derivatives Auction Settlement Terms” means the credit derivatives auction settlement terms published by ISDA in relation to the Reference Entity or Reference Obligation with the object of determining an Auction Final Price, which shall include, where more than one set of terms is published in respect of the Reference Entity, all or any of such terms so published.

“Senior Auction” means the auction in respect of one or more Reference Obligations specified as “Senior” pursuant to the relevant Credit Derivatives Auction Settlement Terms.

“Subordinate Auction” means the auction in respect of one or more Reference Obligations specified as “Subordinate” or “Sub” pursuant to the relevant Credit Derivatives Auction Settlement Terms.

Section 7.4 (*Final Price*) of the Credit Derivatives Definitions shall be amended accordingly.

Costs:

An amount in JPY determined by the Calculation Agent, in its sole and absolute discretion, applying such commercially reasonable procedures as it deems appropriate, equal to the sum of (a) any loss, cost or expense (including, but not limited to, the loss of bargain, cost of funding, or any loss, costs or expenses in terminating, unwinding, liquidating, obtaining or re-establishing any hedge or related trading position) incurred as a

result of terminating this Transaction early (which shall be a positive amount if payable to the Buyer, and a negative amount if payable to the Seller), (b) any costs, fees and expenses incurred in connection with the early redemption of the Notes and/or the delivery of the Charged Assets to the Buyer, including, without limitation, any brokers' commissions, fees and expenses, any taxes of any nature and stamp duties, any funding costs and any legal or other ancillary costs incurred by the Seller or the Buyer as a consequence of such early termination, and (c) an amount by which the market value of the Charged Assets has decreased from the Trade Date to the Cash Settlement Date (or, if earlier, the date upon which the Charged Assets are redeemed).

Cash Settlement Date: In respect of the Reference Entity, the date which is five Business Days following the date upon which the Cash Settlement Amount in respect of the Reference Entity is determined.

Valuation Date: Single Valuation Date. The Valuation Date shall be a Business Day selected by Buyer that is at least 30 Business Days following the Event Determination Date.

References in the Credit Derivatives Definitions to "Physical Settlement" or to "Delivery Date" shall be deemed to be references to the relevant Valuation Date.

Valuation Time: A time specified by the Calculation Agent as close as reasonably practicable to 11:00 a.m. in the relevant Calculation Agent City unless the Calculation Agent determines the principal market for transactions in the relevant Reference Obligation is closed at such time, in which case the Valuation Time shall be such other time selected by the Calculation Agent.

Quotation Method: Bid.

Quotation Amount: In respect of a Reference Obligation, an amount specified by the Calculation Agent not in excess of 1,000,000 units of the Settlement Currency (or, if Japanese Yen, 100,000,000 units of the currency) (or if such Reference Obligation is not denominated in the Settlement Currency, the equivalent of such amount in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

Quotations: Exclude Accrued Interest.

Dealers: Dealers, financial institutions or funds that deal or invest in obligations of the type for which Quotations are to be obtained, as selected by and exclusive of Buyer. Neither the Buyer nor any of its affiliates shall be eligible to provide bid quotations.

Settlement Currency: The currency in which the Buyer Calculation Amount is denominated.

Valuation Method: Highest.

The phrase “with only one Reference Obligation and only one Valuation Date” shall be deleted in Section 7.5(a). Sections 7.5(b), 7.5(c) and 7.5(d) of the Credit Derivatives Definitions shall not apply.

A. Bond Settlement

If a Bond Redemption Event occurs, Buyer shall have the right to deliver a Bond Event Notice to Seller and the following provisions shall apply. Any failure or delay by Buyer to deliver a Bond Event Notice shall not constitute a waiver of Buyer’s right to deliver such a notice in respect of the relevant Bond Redemption Event or in respect of any other Bond Redemption Event.

- (i) Following the date upon which the Bond Event Notice is delivered (the “**Bond Event Notice Delivery Date**”), Buyer shall promptly deliver a notice to Seller setting out its choice and designating the Early Termination Date (an “**Early Termination Notice**”).
- (ii) Upon receipt by the Realisation Agent of a Realisation Instruction from Seller, the Realisation Agent is deemed to be instructed by Seller to arrange for and administer the sale of the Charged Assets (other than any Charged Assets which comprise cash) in accordance with the Conditions.

Seller shall not have any liability to Buyer or any other person for the price, timing or any other terms of such sale or if (for any reason whatsoever) the Realisation Agent is unable to sell all or any of the Charged Assets.

- (iii) In the event that all or some of the Charged Assets are not realised on or before the Early Termination Date by the Realisation Agent in accordance with the Conditions (such Charged Assets, the “**Unrealised Charged Assets**”), the Seller shall deliver, or procure the delivery of, such Unrealised Charged Assets to or to the order of Buyer on the Early Termination Date, or as soon as practicable thereafter.
- (iv) To the extent that Unrealised Charged Assets are delivered to Buyer pursuant to paragraph (iii) above, it shall be entitled to retain Charged Assets the fair market value of which, as determined by the Determination Agent in its sole and absolute discretion by reference to such factors as it may consider appropriate, is not less than, but which exceeds to the minimum extent practicable, any Costs which the Buyer has not received or recovered in full (the “**Unpaid Costs**”) from the Sale Proceeds and the Custody Cash Account Balance applied in accordance with Paragraph 4 of the Conditions of the Notes. Buyer shall promptly thereafter take reasonable efforts to deliver to or to the order of Seller, the balance (if any) of such Unrealised Charged Assets together with a cash amount (the “**Balancing Charged Asset Payment**”) equal to the amount (if any) by which the fair market value of the Unrealised Charged Assets retained by Buyer exceeds the Unpaid Costs.
- (v) The Unrealised Charged Assets, after deduction of the Charged Assets (if any) retained by Buyer pursuant to paragraph (iv) above, are referred to as the “**Remaining Unrealised Charged Assets**”.

B. Credit Event Settlement

If the Conditions to Settlement are satisfied during the Notice Delivery Period with respect to the Reference Entity, the following provisions shall apply:

- (i) on or after the Event Determination Date and on demand of Buyer, Seller shall take reasonable efforts to deliver and/or pay the Charged Assets (together with the Custody Cash Account Balance, if any), or to procure that the Charged Assets (together with the Custody Cash Account Balance, if any) are delivered and/or paid, to or to the order of Buyer on or prior to the Cash Settlement Date (free and clear of all charges, liens and other encumbrances but together with the benefit of all rights and entitlements attaching thereto at any time after the date of delivery). Any stamp duty or other tax, levy or duty and any other costs and expenses payable in respect of the delivery of the Charged Assets shall be the responsibility of, and payable by, Buyer and such delivery shall be subject to payment of the same by Buyer;
- (ii) if, despite the reasonable efforts of Seller, any of such Charged Assets have not been delivered to Buyer by the Cash Settlement Date or the Calculation Agent determines in its sole discretion that it is not practicable to deliver all or part of the Charged Assets to Buyer, whether by reason of any transfer restriction on the securities in question or the nature or status of Buyer or for any other reason, Seller shall be obliged to use its best endeavours to procure such delivery as soon as practicable thereafter;
- (iii) on the Cash Settlement Date, provided that the Charged Assets (and the Custody Cash Account Balance, if any) have been delivered and/or paid to Buyer, Buyer shall pay to Seller an amount equal to the Adjusted Notional Amount (as adjusted by the applicable Cash Settlement Amount); and
- (iv) following satisfaction of Buyer's and Seller's respective payment and delivery obligations pursuant to sub-paragraphs (i) and (ii) above, the Cash Settlement Date shall be the Termination Date and no further amounts shall be paid by either Buyer or Seller.

C. Definitions:

For the purposes hereof:

"Adjusted Notional Amount" means an amount equal to the Initial Notional Amount minus the Cash Settlement Amount.

"Bond Event Notice" means a notice delivered by Buyer to Seller, on or prior to the Scheduled Termination Date, specifying the occurrence of a Bond Redemption Event.

"Bond Redemption Amount" means an amount equal to the sum of the Sale Proceeds less any proportion of the sum of the Sale Proceeds attributable to a realisation of any securities comprising Eligible Credit Support held by Seller pursuant to a delivery by Buyer under the Credit Support Annex:

- (a) less the Costs, if Costs are a positive amount deemed payable to Buyer; or
- (b) plus the absolute value of the Costs, if Costs are a negative amount deemed payable by Buyer; and
- (c) plus any Balancing Charged Asset Payment payable by Buyer pursuant to Paragraph 5A above;

and provided that, if the Bond Redemption Amount is an amount less than zero, the Bond Redemption Amount shall be deemed to be zero and no Bond Redemption Amount shall be payable.

“Bond Redemption Event” means the occurrence of any of the following at any time from and including 30 May 2012 and on or prior to the Specified Date:

- (i) the Issuer satisfies the Trustee that the performance of its obligations under the Notes or ancillary thereto has or will become unenforceable, illegal or otherwise prohibited in whole or in part as a result of the Issuer’s compliance with any applicable present or prospective law, rule, regulation, judgment, order or directive of or in any jurisdiction or any governmental administrative, legislative or judicial power or the interpretation thereof; or
- (ii) if the Charged Agreement is terminated (in whole but not in part and other than in consequence of Condition 7(g) or Condition 7(h) or in connection with a redemption of the Notes pursuant to paragraph 25(B) or Condition 9 or pursuant to an Early Termination Date that is designated or deemed to occur as a result of an Event of Default in relation to the Swap Counterparty as the Defaulting Party); or
- (iii) a Bond Event of Default.

Where:

“Bond Event of Default” means the occurrence of any of the following (or such event or condition which with notice or lapse of time or both would constitute any of the following):

- (i) the failure of the issuer of the Initial Charged Assets, uncured after 5 business days (as defined in the terms and conditions of the Relevant Debt), to pay interest on the Relevant Debt when due in accordance with the respective terms and conditions of such Relevant Debt (in each case in effect as of the Trade Date);
- (ii) the failure of the issuer of the Initial Charged Assets to pay the stated principal amount of the Relevant Debt on its respective applicable legal maturity date in accordance with the respective terms and conditions of such Relevant Debt (in each case in effect as of the Trade Date);
- (iii) the occurrence of certain events of bankruptcy, insolvency or reorganisation of the issuer of the Initial Charged Assets in accordance with the respective terms and conditions of such Relevant Debt as of the Trade Date;
- (iv) any mandatory, optional or other early redemption event occurs under the Initial Charged Assets including without limitation as a result of a tax event, change in tax law or imposition of withholding or other charge or duty that was not in effect as of the Trade Date without giving effect to any subsequent amendments thereof; or
- (v) the occurrence of either of the following events: the issuer of the Initial Charged Assets (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, its obligations under the Initial Charged Assets or (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to the relevant obligations under any of the Initial Charged Assets,

each as determined by the Calculation Agent in its sole and absolute discretion.

“Cash Settlement Amount” means the “Cash Settlement Amount” as determined by the Calculation Agent in accordance with Paragraph 6.

“Cash Settlement Date” has the meaning ascribed to it in Paragraph 6.

“Charged Assets” has the meaning ascribed to it in the Conditions of the Notes.

“Custody Account Interest Amount” means in respect of a Custody Account Interest Period, the amount of interest accrued on a Custody Cash Account in respect of such period, as calculated in accordance with the methodology described in the Condition of the Notes.

“Custody Account Interest Payment Date” means the first day of each month except that the first Custody Account Interest Payment Date shall fall on the first day of the month on which any Redemption Proceeds are credited to a Custody Cash Account.

“Custody Account Interest Period” means the period beginning on (and including) one Custody Account Interest Payment Date to but excluding the next following Custody Account Interest Payment Date except that the final Custody Account Interest Period shall end on (but exclude) the Scheduled Termination Date.

“Custody Cash Account Balance” means the amount standing to the credit of a Custody Cash Account from time to time including any interest thereon.

“Deliverable Obligation Category” means Bond or Loan.

“Deliverable Obligation Characteristics” means Not Subordinated, Specified Currency, Not Contingent, Assignable Loan, Consent Required Loan, Transferable, Not Bearer, Maximum Maturity – 30 years.

“Determination Agent” means the determination agent appointed under the Conditions of the Notes.

“Early Termination Date” means the date that is specified as such by Buyer in its Early Termination Notice, and where it is specified following a Bond Event Notice Delivery Date, such date shall be at least five Business Days following the Business Day falling after the corresponding Bond Event Notice Delivery Date.

“Extension Notice” means an irrevocable notice (which may be oral including by telephone) from Buyer to Seller, the Calculation Agent and the Paying Agent that is effective on or before the Specified Date and that specifies that Buyer has determined in its sole discretion acting reasonably that a Credit Event or Potential Failure to Pay has or may have occurred and that specifies the Extension Date. An Extension Notice is effective when given and if given after 4.00 p.m. London time on a Business Day will be deemed given on the next Business Day.

“Initial Charged Assets” has the meaning ascribed to it in the Conditions of the Notes.

“Initial Notional Amount” means an amount equal to the Buyer Calculation Amount.

“Notice Delivery Period” means the period from and including the Trade Date to and including the date that is 15 Business Days after the later of:

- (a) the Specified Date; or
- (b) the day on which:
 - (i) a DC Credit Event Announcement is made; or
 - (ii) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has resolved not to determine whether an event has occurred that constitutes a Credit Event with respect to the relevant Reference Entity or Obligation; or

- (iii) a DC No Credit Event Announcement is made;

provided in each case (from (i) to (iii) above), the Credit Event Resolution Request Date must have occurred on or prior to the day that falls 15 Business Days after the Specified Date, or, if applicable, the Extension Date.

Section 1.9 (*Notice Delivery Period*) of the Credit Derivatives Definitions shall be amended accordingly.

For such purposes, the following shall have the meanings as set out below (and where not so defined, such term shall have the meaning ascribed to it in the July 2009 Supplement to the Credit Derivatives Definitions):

“Auction Cancellation Date” means, with respect to an Auction, the date on which the Calculation Agent determines that such Auction was deemed to have been cancelled as announced by ISDA (and/or the administrators specified in the relevant Credit Derivatives Auction Settlement Terms) on its website or as otherwise determined and announced in accordance with the relevant Transaction Auction Settlement Terms.

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

“Credit Event Resolution Request Date” means, with respect to a notice to ISDA requesting that a Credit Derivatives Determinations Committee be convened to resolve:

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

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to the relevant resolutions.

“DC Credit Event Announcement” means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has resolved that (a) an event that constitutes a Credit Event has occurred with respect to such Reference Entity (or an Obligation thereof) and (b) such event occurred on or after the Trade Date (determined by reference to Tokyo time) and on or prior to the Specified Date or, if applicable, the Extension Date (determined by reference to Tokyo time).

A DC Credit Event Announcement will be deemed not to have occurred with respect to a Reference Entity unless (i) the Credit Event Resolution Request Date with respect to such Credit Event occurred on or prior to the day that falls 15 Business Days after the Specified Date, or, if applicable, the Extension Date and (ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

“DC No Credit Event Announcement” means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives

Determinations Committee has resolved, following a Credit Event Resolution Request Date, that the event that is the subject of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a Credit Event with respect to such Reference Entity (or an Obligation thereof).

“No Auction Announcement Date” means, with respect to a Reference Entity and a Credit Event, the date on which ISDA first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of a Restructuring with respect to a Reference Entity for which either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as being applicable in the relevant Standard only, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has resolved that no relevant Auction will be held following a prior public announcement by ISDA to the contrary. For the avoidance of doubt, the No Auction Announcement Date shall be the date of the relevant announcement by ISDA and not the date of any related determination by the Calculation Agent that such announcement relates to Transaction Auction Settlement Terms, Parallel Auction Settlement Terms or a relevant Auction.

“Redemption Proceeds” means any proceeds in any applicable currency from a redemption in respect of the Charged Assets in accordance with the terms and conditions of such Charged Assets.

“Relevant Debt” means (a) any of the Initial Charged Assets and (b) all other debt of the issuer of the Initial Charged Assets which ranks in priority of payment on a *pari passu* basis with the Initial Charged Assets.

“Sale Proceeds” means the net proceeds from the sale and/or realisation of the Charged Assets (excluding any Charged Assets which comprise cash) by the Realisation Agent in accordance with the Conditions (after deduction therefrom by the Realisation Agent of its usual fees and any costs and expenses incurred in connection with the sale of such Charged Assets).

7. **Additional Provisions:**

- A. Unless the context otherwise requires, words in the singular include the plural, and words in the plural include the singular.
- B. Section 9(g) of the Agreement (Headings) applies to this Confirmation and the Exhibits hereto.
- C. With respect to any notice delivered to it by Buyer, Seller shall deliver or arrange for the delivery of a copy thereof to any holder of the Notes, provided the delivery of or failure to deliver such copies to any such holder by or on behalf of Seller will not affect the effectiveness of such notices delivered by Buyer to Seller.
- D. The Calculation Agent shall notify Seller in writing, as soon as reasonably practicable, of any calculations and/or determinations made pursuant to this Confirmation, provided the delivery of or failure to deliver such notices will not affect the effectiveness of any calculations or determinations made pursuant to this Confirmation. Calculations or determinations required to be made by the Calculation Agent, in lieu of the pre-penultimate sentence of Section 1.14 of the Credit Derivatives Definitions, shall be calculated or determined by the Calculation Agent in good faith and in a commercially reasonable manner in its sole and

absolute discretion, effective as of such determination, and shall be conclusive absent manifest error.

- E. Bond Event Notices, Credit Event Notices, Notices of Publicly Available Information and Extension Notices are subject to the requirements regarding notices set forth in Section 1.10 unless otherwise specifically provided herein and shall, in each case, be copied by Buyer to the Principal Paying Agent, the Rating Agency and the Trustee, provided that the delivery of or failure to deliver any such copy to the Principal Paying Agent, the Rating Agency or the Trustee will not affect the effectiveness of such notice.

8. **Specific Amendments to Credit Derivatives Definitions:**

A. The Credit Derivatives Definitions are amended as follows:

(a) The phrases "in consultation with the parties" and "after consultation with the parties" shall be deleted in wherever they appear in the Credit Derivatives Definitions.

(b) Any reference to "Reference Obligation" or "Reference Obligations" in each of Sections 1.14, 2.2, 2.14, 2.15, 2.19(a)(iii), 2.19(b)(i)(A), 2.30 and 9.1 shall be deemed to be a reference to "Specified Reference Obligation" or "Specified Reference Obligations", as the case may be.

(c) Section 2.2(e) is amended:

(i) by deleting Section 2.2(e)(ii) and replacing it by "in respect of each New Credit Derivative Transaction, the Buyer Calculation Amount, if any, and the Cash Settlement Amount will be the Buyer Calculation Amount and the Cash Settlement Amount, as applicable, of the original Credit Derivative Transaction divided by the number of Successors; and".

(ii) by adding a new Section 2.2(e)(iv) as follows:

"(iv) the Calculation Agent shall make such other conforming and consequential changes to the Notes as it shall deem appropriate, in its sole and absolute discretion, to preserve the economic effects of the original Credit Derivative Transaction in the New Credit Derivative Transactions including, without limitation, the amendment of Condition 7 of the Notes to allow, inter alia, for redemption of a Principal Amount of the Notes equal to the Buyer Calculation Amount of the New Credit Derivative Transaction in respect of which an Event Determination Date has occurred, with the remainder of the Principal Amount of the Notes remaining outstanding and accruing interest on such reduced Principal Amount (until such time as a further Event Determination Date in respect of a New Credit Derivative Transaction may occur or a redemption of the remaining Principal Amount of

the Notes may otherwise occur pursuant to the terms hereof).".

- (iii) by adding a new Section 2.2(e)(v) as follows:

"(v) the Calculation Agent shall provide copies of an amended Charged Agreement detailing each Reference Entity and the portion of the Principal Amount of the Notes allocated to each such Reference Entity to Seller and Buyer and Seller shall provide notice thereof (including copies of the amended Charged Agreement) to the Noteholders (provided that the failure of Seller to deliver any such notice shall not affect the effectiveness of any such notice delivered by the Calculation Agent).".

- (d) Section 2.15 is amended:

- (i) by deleting the words "determined pursuant to the method described in Section 2.20" in the third and fourth lines of Section 2.15(a) and replacing them with the words "determined pursuant to the method described in this Confirmation" and by deleting the words "being Delivered" in the eleventh line thereof; and

- (ii) by deleting Section 2.15(b) in its entirety.

- (e) Section 2.19(b)(i)(A) shall be amended by the insertion of: (A) the words "of the relevant Reference Entity" immediately after the words "most senior Reference Obligation" in the second line thereof; (B) the words "with respect to such Reference Entity" immediately after the words "Reference Obligation is specified" in the third line thereof; and (C) the word "relevant" immediately before the words "Reference Entity" in the fifth line thereof.

- (f) Section 2.31 is deleted

- (g) Section 2.32(a) and 2.33(a) shall be amended as follows:

- (1) any reference to "Physical Settlement" shall be deemed to be a reference to "Cash Settlement"; and
- (2) the words "then a Deliverable Obligation may be specified (or deemed specified pursuant to Section 9.10) in the Notice of Physical Settlement" appearing in the fourth and fifth lines thereof shall be deleted and replaced with "an obligation may be specified as a Reference Obligation".

- (h) The references to the “Effective Date” in Section 3.3 (*Credit Event Notice*) shall mean the Trade Date, unless otherwise specified herein.
- (i) The references to the “Scheduled Termination Date” in Section 3.3 (*Credit Event Notice*) shall mean the Specified Date or if later, the Extension Date, unless otherwise specified herein.
- (j) The references to “Greenwich Mean Time” in Section 3.3 shall mean “Tokyo time”, unless otherwise specified herein.
- (k) Section 3.7 is amended by inserting at the end thereof the following:

“and such other published or electronically displayed news or information sources as are referred in any Notice of Publicly Available Information”.
- (l) Sections 3.9, 8.1, 8.3 to 8.7 and 8.9 to 8.11 are deleted.
- (m) Article X is deleted.
- (n) References to Deliverable Obligation, Deliverable Obligation Category and Deliverable Obligation Characteristics in the definition of Reference Obligation are for convenience only and are not intended to amend Cash Settlement as the Settlement Method.

9. **Notice and Account Details:** See Notice and Account Details in Exhibit I.

Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this Confirmation and returning it to us.

Yours sincerely,

BARCLAYS BANK PLC

By:
Name:
Title:

Confirmed on the date
first above written:

ARLO XII LIMITED

By:

EXHIBIT I
Notice and Account Details

Notices to Buyer:

Barclays Bank PLC
41/F Citibank Tower
3 Garden Road
Central
Hong Kong

Tel: +852 2903 3200

Fax: +852 2903 4920

Attention: Head of Asia Pacific Credit Derivatives

With a copy to:

Barclays Capital
200 Park Avenue
New York, NY 10166

Attention: Head of Structured Credit Transaction Management

Facsimile No: 212 412 1732

Telephone No: 212 412 5700

Barclays Bank PLC
41/F Citibank Tower
3 Garden Road
Central
Hong Kong

Tel: +852 2903 2268

Fax: +852 2903 4957

Attention: Head of Legal, Asia Pacific

Account Details of Buyer:

EUR

Bank: Barclays Bk Plc, London

Swift: BARCGB22

A/C: Barclays Head Office Swaps

A/C No: 78659111

GBP

Bank: Barclays Bk Plc, 54 Lombard Street, London

S/C: 20-00-00

Swift: BARCGB22

A/C: Barclays Swaps

A/C No: 00152021

USD

Bank: Federal Reserve Bank of New York, New York

ABA No: 026-0025-74

A/C: Barclays Bank Plc, New York

Favour: Barclays Swaps & Options Group, New York

A/C No: 050-01922-8

JPY

Bank: The Bank of Tokyo-Mitsubishi Ltd, Tokyo
Swift: BOTKJPJT
A/C: Barclays Bank PLC, Wholesale London
Swift: BARCGB5G
A/C No: 653-0445835

Notices to Seller:

ARLO XII Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands
Tel: (345) 945 7099
Fax: (345) 945 7100

Account Details of Seller:

Payment to: Mizuho Corporate Bank Ltd., Tokyo
SWIFT Code: IRVTBEBB
Account: The Bank of New York Mellon
Account Number: 0321150
Attn: Corporate Trust
Ref: XS0789873915

Notices to Rating Agency:

Japan Credit Rating Agency, Ltd.
Jiji Press Building
5-15-8 Ginza, Chuo-ku
Tokyo
Japan
Tel: +81-3-3544-7023
Fax: +81-3-3544-7028

ANNEX 2: FORM OF PARAGRAPH 11 OF THE CREDIT SUPPORT ANNEX

References herein to “Party A” are to Barclays Bank PLC and to “Party B” are to ARLO XII Limited but only in respect of its Series 2012 (CLN-7) JPY 1,000,000,000 Secured Limited Recourse Credit Linked Notes due 2017 (the “Notes”).

Paragraph 11. Elections and Variables

(a) Base Currency and Eligible Currency

- (i) “**Base Currency**” means JPY (and any successor currency).
- (ii) “**Eligible Currency**” means the Base Currency, USD, Euro and the lawful currency of the United Kingdom (and any successor currency to any such currencies).

(b) Credit Support Obligations

- (i) Delivery Amount, Return Amount and Credit Support Amount
 - (A) “**Delivery Amount**” has the meaning specified in Paragraph 2(a) provided that (a) in respect of Party B, the Delivery Amount shall not exceed the Value of the Charged Assets held by Party B from time to time, and (b) in respect of Party A, the Delivery Amount shall not exceed an amount equal to the outstanding principal amount of the Notes from time to time plus accrued but unpaid interest payable to holder(s) of the Notes in accordance with the Conditions of the Notes.
 - (B) “**Return Amount**” has the meaning specified in Paragraph 2(b) provided that (a) in respect of Party A, the Return Amount shall not exceed the Value of the Eligible Credit Support in respect of Party B held by Party A from time to time, and (b) in respect of Party B, the Return Amount shall not exceed the Value of the Eligible Credit Support in respect of Party A held by Party B from time to time.
 - (C) “**Credit Support Amount**” Amount has the meaning specified in Paragraph 10.
- (ii) **Eligible Credit Support**
 - (A) In respect of Party A, each of the items (each a Credit Support Item) described below must qualify as Eligible Credit Support on each Valuation Date.

The following items will qualify as “*Eligible Credit Support*” for Party A:-

| | Valuation Percentage | | | |
|--|----------------------|-------|--------|-----------|
| (a) cash in an Eligible Currency | 100% | | | |
| (b) Debt Obligations issued by the Government of Japan | 100% | | | |
| (c) Negotiable Debt Obligations issued by the Government of: | Residual Maturity | | | |
| | 0-1yr | 1-5yr | 5-10yr | 10yr plus |
| Austria | 99.00 | 96.25 | 92.75 | 90.00 |
| Belgium | 99.00 | 94.00 | 90.25 | 87.00 |
| Canada | 99.00 | 96.25 | 95.00 | 90.00 |

| | | | | |
|----------------|-------|-------|-------|-------|
| Denmark | 99.00 | 96.25 | 94.00 | 89.00 |
| Finland | 99.00 | 96.25 | 94.00 | 90.00 |
| France | 99.00 | 95.00 | 91.50 | 88.00 |
| Germany | 99.00 | 96.25 | 94.00 | 90.00 |
| Netherlands | 99.00 | 96.25 | 92.75 | 89.00 |
| Spain | 97.50 | 89.00 | 95.25 | 83.00 |
| Sweden | 99.00 | 96.25 | 94.00 | 90.00 |
| Switzerland | 99.00 | 96.25 | 94.00 | 90.00 |
| United Kingdom | 99.00 | 96.25 | 94.00 | 90.00 |
| United States | 99.00 | 96.25 | 95.00 | 90.00 |

For the purpose of this provision, Negotiable Debt Obligations must be rated by Moody's Investors Service, Inc. or its successor thereto ("**Moody's**"), and/or Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., or any successor thereto ("**S&P**"), "A3" and "A-" respectively, or higher.

- (B) In respect of Party B, the following securities shall qualify as Eligible Credit Support on each Valuation Date:

The obligations of Party B under this Annex to transfer Eligible Credit Support shall be limited to the securities held by Party B from time to time, so that if the principal amount of Charged Assets held by Party B is zero at the relevant time then no obligation to transfer shall arise under the terms of this Annex at such time. For the avoidance of doubt, this limitation is without prejudice to, and does not amend or alter, the calculation of Exposure, Delivery Amount or Return Amount, or any obligation of Party B under any other provisions of this Annex.

Same Valuation Percentage as Party A shall be applicable.

(iii) **Thresholds**

- (A) "**Independent Amount**" means with respect to Party A and Party B, zero.
- (B) "**Threshold**" means with respect to Party A and Party B, zero
- (C) "**Minimum Transfer Amount**" means with respect to Party A and Party B, 100,000 units of the Base Currency provided that (i) if an Event of Default or a Potential Event of Default has occurred and is continuing with respect to a party, the Minimum Transfer Amount for that party shall be zero; or, (ii) where the Credit Support Amount with respect to a party on a Valuation Date is zero, for the purposes of calculating any Return Amount, the Minimum Transfer Amount, shall be zero and Rounding shall not apply.
- (D) **Rounding.** The Delivery Amount and the Return Amount will be rounded up and down, in each case, to the nearest integral multiple of 100,000 units of the Base Currency respectively.

(c) **Valuation and Timing**

- (i) "**Valuation Agent**" means Party A in all instances.

- (ii) **“Valuation Date”** means every Monday, provided if such Monday is not a Tokyo and London Business Day, the Valuation Date shall be the following Tokyo and London Business Day.
- (iii) **“Valuation Time”** means the close of business in the relevant market, as determined by the Valuation Agent, on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable, provided that the calculations of Value and Exposure will, as far as practicable, be made as of approximately the same time on the same date.
- (iv) **“Notification Time”** means 10.00 a.m., London time, on the applicable Valuation Date or date of calculation as applicable.

(d) **Exchange Date**

“Exchange Date” has the meaning specified in Paragraph 3(c)(ii).

(e) **Dispute Resolution**

- (i) **“Resolution Time”** means 10.00 a.m., London time, on the first Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.
- (ii) **Value.** For the purposes of Paragraphs 4(a)(4)(i)(C) and 4(a)(4)(ii), the Value of the Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated as follows:
 - (A) with respect to any Eligible Credit Support or Equivalent Credit Support comprising the securities or any other Negotiable Debt Obligations, by the Valuation Agent seeking bid prices as of the relevant Valuation Date (or date of transfer) from three principal market makers in the securities in question. The Value will be the sum of (I) the arithmetic mean of the bid prices received by the Valuation Agent, plus (II) accrued interest, multiplied by the Valuation Percentage, if any; and
 - (B) with respect to any cash, the Base Currency Equivalent of the amount thereof.
- (iii) **Alternative.** The provisions of Paragraph 4 will apply, unless an alternative dispute resolution procedure is specified here: none.

(f) **Distributions and Interest Amount**

For the purposes of Paragraph 5(c), neither Party A nor Party B shall be required to transfer Equivalent Distributions or Interest Amounts.

(g) **Addresses for Transfers**

Party A: To be advised by Party A.

Party B: To be advised by Party B's custodian.

(h) **Other provisions:**

(i) **Transfer Timing.**

- (i) The final paragraph of Paragraph 3(a) shall be deleted and replaced with the following:

“Subject to Paragraph 4, and unless otherwise specified, any transfer of Eligible Credit Support or Equivalent Credit Support (whether by the Transferor pursuant to Paragraph 2(a) or by the Transferee pursuant to Paragraph 2(b)) shall be made not later than the close of business on the Settlement Day.”

- (ii) The definition of “Settlement Day” shall be deleted and replaced with the following:

“**Settlement Day**” means the next Local Business Day after the Demand Date.

- (iii) For the purposes of this Paragraph 11(j)(i):

“**Demand Date**” means, with respect to a transfer by a party:

- (A) in the case of a transfer pursuant to Paragraph 2, Paragraph 3 or Paragraph 4(a)(2), the relevant Valuation Date. For the avoidance of doubt, for the purposes of Paragraph 2 and Paragraph 4(a)(2), the Transferor will be deemed to receive notice of the demand by the Transferee to make a transfer of Eligible Credit Support; and
- (B) in the case of a transfer pursuant to Paragraph 3(c)(ii)(A), the date on which the Transferee has given its consent to the proposed exchange.

- (ii) **Early Termination.**

The heading for Paragraph 6 shall be deleted and replaced with “Early Termination” and the following shall be added after the word “Default” in the first line of Paragraph 6: “or a Termination Event in relation to all (but not less than all) Transactions.”

- (iii) **Cost of Transfer of Exchange.**

Notwithstanding Paragraph 8, Party A will be responsible for, and will reimburse Party B for, all transfer and other taxes and other costs involved in the transfer of Eligible Credit Support either from the Transferor to the Transferee or from the Transferee to the Transferor.

- (iv) **Calculations.**

Paragraph 3(b) of this Annex shall be amended by inserting the words “and shall provide each party (or the other party, if the Valuation Agent is a party) with a description in reasonable detail of how such calculations were made, upon request” after the word “calculations” in the third line thereof.

- (v) **Paragraph 6.**

For the purposes of Paragraph 6, Value shall have the meaning set out in Paragraph 10 of the Annex save that any reference to “...multiplied by the applicable Valuation Percentage, if any ...” shall be deleted from the definition.

- (vi) **Substitution of Eligible Credit Support in the event that the issuer of the Negotiable Debt Obligations is downgraded.**

If the rating assigned by Moody's or S&P to the Negotiable Debt Obligations held as Eligible Credit Support falls below the minimum rating requirements imposed under the

definition of “Eligible Credit Support” in Paragraph 11(b)(ii) (the “**Affected Credit Support**”), then the party that holds the Affected Credit Support shall be entitled to demand (by telephonic notice, facsimile transmission, in writing or by electronic messaging system or email) the further transfer to it of substitute Eligible Credit Support in exchange for the Affected Credit Support (such substitute Eligible Credit Support to be of equal value to the Affected Credit Support, in the determination of the Valuation Agent).

The party obligated to provide substitute Eligible Credit Support shall make such transfer on the first Local Business Day following the date on which it receives such notice. The party demanding such transfer will only be obligated to return the Affected Credit Support after receiving the substitute Eligible Credit Support.

(vii) **Taxes.**

The Transferee shall have the right to (i) refuse to accept a transfer of any cash or securities by the Transferor and / or to (ii) insist on the immediate substitution of any cash or securities already held by the Transferee as Eligible Credit Support, if at any time there occurs a change in taxation in relation to such cash or securities which has a negative impact on the Transferor or Transferee (as determined by the Valuation Agent).

(viii) **Amendment to the Valuation Percentages applicable to Negotiable Debt Obligations held as Eligible Credit Support.**

On any Valuation Date, Party A may increase or decrease the Valuation Percentages applicable to the Negotiable Debt Obligations. Party A must provide Party B with written notice stating that the Valuation Percentages will be amended 5 (five) Local Business Days prior to the relevant Valuation Date (the “**VP Effective Date**”). For the avoidance of doubt, written notice will be delivered in accordance with Section 12 of the ISDA Master Agreement. Any such increase or decrease in the Valuation Percentages applicable to the Negotiable Debt Obligations will be deemed to be incorporated into this Annex on the VP Effective Date.

(ix) **Amendments to Paragraph 10 (Definitions)**

(A) Capitalised words and expressions defined in the Confirmation shall, except so far as the context otherwise requires, have the same meaning in this Annex. In the event of any inconsistency between the definitions in the Confirmation and this Annex, this Annex shall prevail.

(B) The definition of “**Resolution Time**” in Paragraph 10 of this Annex shall be deleted in its entirety and replaced with the following:-

“**Resolution Time**” has the meaning specified in Paragraph 11(e)(i).

(C) The following additional definitions shall be added to Paragraph 10 of this Annex:

“**Confirmation**” means the confirmation between Barclays Bank PLC and ARLO XII Limited dated on or about the date of the ISDA Master Agreement of which this Credit Support Annex forms a part, including the Annexes and Exhibit thereto, the purpose of which is to confirm the terms and conditions of the Transaction entered into between Party A and Party B.

“**Debt Obligations**” means any debt obligations issued or guaranteed by the Government of Japan.

“**Government**” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental

authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) with respect to a country.

“Negotiable Debt Obligations” means any negotiable debt obligations issued or guaranteed by the Government of the relevant country listed in the table in item (c) of Paragraph 11(b)(2)(A) of this Annex.

(x) **Demands and Notices.**

All demands, specifications and notices under this Annex will be made pursuant to Section 12 of this Agreement.

IN WITNESS whereof, the parties hereby enter into this Annex by their duly authorised officers as of the date written above

BARCLAYS BANK PLC

ARLO XII LIMITED

By:
Name:
Title:
Date:

By:
Name:
Title:
Date:

ANNEX 3: FORM OF MASTER CHARGED AGREEMENT TERMS

Structured Investment Terms Master Charged Agreement Terms

April 2009 Edition

FORM OF CHARGED AGREEMENT

1. Background

- 1.1 These Master Charged Agreement Terms (April 2009 Edition) contain provisions which may be used with respect to any Notes issued by the Issuer, the issue of which is arranged by Barclays Bank PLC or any of its subsidiaries or associated companies.
- 1.2 Notes may be constituted and/or secured by entry into by the Trustee, the Issuer, the Swap Counterparty and any others that may be parties thereto of a Constituting Instrument, each such Constituting Instrument comprising a separate instrument which may incorporate by reference, as amended and/or supplemented as provided therein, the provisions of these Master Charged Agreement Terms (April 2009 Edition).
- 1.3 These Master Charged Agreement Terms (April 2009 Edition) set out the terms and conditions pursuant to which the Swap Counterparty may, at its discretion, enter into a Charged Agreement with the Issuer of a Series of Notes issued by the Issuer under the Programme and comprise a Schedule (the “**Schedule**”) to the International Swaps and Derivatives Association Inc. 1992 Form of Master Agreement (Multicurrency – Cross Border).
- 1.4 Upon the execution of the Constituting Instrument relating to the Notes of a particular Series by or on behalf of the persons party thereto in the capacities of Issuer and Swap Counterparty, such persons shall be deemed to have entered into an agreement in respect of the Notes constituted and/or secured by such Constituting Instrument on the terms of these Master Charged Agreement Terms (April 2009 Edition) (as the same may be modified or supplemented by the provisions of such Constituting Instrument).

2. Definitions

Unless otherwise defined herein or the context otherwise requires, the Master Definitions as specified in and amended by the Constituting Instrument relating to the Notes of the relevant Series shall apply to these Master Charged Agreement Terms (April 2009 Edition) and any deed or document incorporating them.

SCHEDULE

to the ISDA Master Agreement
Multicurrency-Cross Border) published by the
International Swaps and Derivatives Association, Inc. ("ISDA")

Dated: the date specified in the
Constituting Instrument
relating to the Notes referred to
in such Constituting Instrument

between

the Swap Counterparty

and

the Issuer

("Party A")

("Party B")

In respect of each Constituting Instrument entered into by the parties thereto (the "**Constituting Instrument**") and the Series of Notes constituted thereby (the "**Notes**"), Party A and Party B are deemed to have entered into an agreement (the "**Agreement**") in the form of the ISDA Master Agreement (Multicurrency - Cross Border) relating to the Charged Agreement entered into by Party A and Party B in respect of such Series of Notes, and such Agreement is deemed to be incorporated into this Agreement in extenso as amended by the following schedule which shall take effect as if it was the Schedule to such Agreement.

**SCHEDULE TO THE AGREEMENT
IN RESPECT OF THE SERIES OF NOTES
CONSTITUTED BY THE CONSTITUTING INSTRUMENT**

This Schedule is the Schedule to the Agreement referenced on the preceding page. For the avoidance of doubt, the Agreement and this Schedule relate solely to the Charged Agreement entered into between Party A and Party B in respect the Notes constituted by the Constituting Instrument referenced on the preceding page.

In this Schedule “**Notes**” means the Notes of the relevant Series constituted by the relevant Constituting Instrument and “**Charged Assets**” and “**Noteholders**” bear the meaning ascribed thereto in the Conditions of the Notes of the relevant Series.

This Agreement shall not be construed in any circumstances to form a single agreement with two or more Confirmations together unless specific provision to that effect is made in the relevant Confirmation(s) and/or Constituting Instrument. It is understood that the parties would not otherwise enter into any Transaction or Transactions. References to this “**Agreement**” in respect of a Transaction or Transactions mean this document together with the Confirmation(s) relating to that Transaction or Transactions. The terms and provisions of the Agreement in all instances shall be read and construed so as to give effect to the foregoing.

Each Charged Agreement shall be constituted by the Agreement and a Confirmation or Confirmations evidencing the Transaction or Transactions to be outstanding thereunder (the “**Transaction**” or “**Transactions**”), each such Confirmation constituting a Confirmation for the purposes of the relevant Agreement.

Notwithstanding anything to the contrary in this Agreement, in respect of a Series of Notes, each Agreement, each relevant Confirmation and each Transaction shall form a single agreement with respect to that Series of Notes. “**Transaction**”, “**Transactions**” and “**Agreement**” shall be interpreted accordingly and no other Agreements and no other Confirmations and Transactions in respect of any other Series of Notes shall be subject to, governed by or made part of such Agreement.

If, in respect of a Series of Notes, the Constituting Instrument therefor provides that Party A and Party B are parties to a Credit Support Annex (Bilateral Form – Transfer) governed by English law (“**Credit Support Annex**”) in respect of such Series of Notes, then the Transaction evidenced by such Credit Support Annex shall be a Transaction subject to, governed by and made part of the Agreement in respect of such Series of Notes.

1. Termination Provisions

In this Agreement:

1.1 "Specified Entity": means in relation to Party A for the purpose of:

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(iv), Not Applicable

in relation to Party B for the purpose of:

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(iv), Not Applicable

1.2 "Specified Transaction": will have the meaning specified in Section 14.

1.3 "Cross Default": the provisions of Section 5(a)(vi) will not apply to either Party A or Party B.

1.4 "Credit Event Upon Merger": the provisions of Section 5(b)(iv) will not apply to either Party A or Party B.

1.5 "Automatic Early Termination": the provisions of Section 6(a) will not apply to either Party A or Party B.

1.6 Payments on Early Termination. For the purpose of Section 6(e) of this Agreement:

(1) Market Quotation will apply; and

(2) The Second Method will apply.

1.7 "Termination Currency": means the currency in which the Notes are denominated.

1.8 "Affected Transactions": If there is more than one Transaction outstanding under the Agreement in relation to a Series of Notes and an Early Termination Date is designated or deemed to occur in respect of any one Transaction under the Agreement in relation to a Series of Notes, all Transactions shall be Affected Transactions in respect of such Agreement and Series of Notes.

1.9 "Additional Termination Event" will apply as follows:

(1) If at any time the Notes become repayable in full prior to the maturity date thereof in accordance with the Conditions thereof an Additional Termination Event will be deemed to have occurred; or

(2) If at any time the Transaction is required to be terminated in part pursuant to any of Paragraphs 1.10 or 1.11 below, an Additional Termination Event will be deemed to have occurred, but only with respect to that part of the Transaction which terminates pursuant to such paragraph; or

(3) If the event specified in Paragraph 1.12 occurs in relation to the Notes an Additional Termination Event will be deemed to have occurred.

For the purposes of the foregoing Additional Termination Events the Affected Party shall be Party B.

1.10 If some (but not all) of the Notes are to be redeemed by Party B pursuant to the paragraph headed "Alternative Procedures" of Condition 1(b)(3) or Condition 7(f) of the Notes (and subject, where applicable, to the prior payment in respect of and/or delivery of such relevant proportion of the Charged Assets to the Swap Counterparty as is required to fund the relevant early Redemption Amount or Issuer Optional Redemption Amount, as the case may be) then:

- (A) the obligations of Party B to make payment or delivery to Party A in respect of each Transaction outstanding under the Agreement after the date of such redemption shall be terminated:
 - (1) in the event that there are Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been received by Party B on the Charged Assets to be released from the security granted in favour of the Trustee by or pursuant to the Constituting Instrument and, if applicable, any Additional Charging Instrument consequent upon such redemption; or
 - (2) in the event that there are no Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so redeemed; and
- (B) Party A's obligations to make payment or delivery to Party B in respect of each Transaction outstanding under the Agreement after such date shall be terminated to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so redeemed.

Party B shall at any time and from time to time if it receives notice in writing to such effect from Party A but not otherwise exercise its Sale/Redemption Right pursuant to Condition 1(b)(3) (*U.S. Series/U.S. Tranche – Alternative Procedures*) in accordance with the instructions contained in such notice.

1.11 If Party A receives a notice that some or all of the Notes are to be purchased by Party B pursuant to Condition 7(g) (Purchase) of the Notes having given its consent to such purchase in accordance with such Condition (and subject, where applicable, to the prior payment in respect of and/or delivery of such relevant proportion of the Charged Assets to the Swap Counterparty as is required to fund the relevant early Redemption Amount or Issuer Optional Redemption Amount, as the case may be) then:

- (A) the obligations of Party B to make payment or delivery to Party A in respect of each Transaction outstanding under the Agreement after the date of such purchase shall be terminated:
 - (1) in the event that there are Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been received by Party B on the Charged Assets to be released from the security granted in favour of the Trustee by or pursuant to the Constituting Instrument and, if applicable, any Additional Charging Instrument consequent upon such purchase; or
 - (2) in the event that there are no Charged Assets in relation to the Series of Notes, to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so purchased; and

- (B) Party A's obligations to make payment or delivery to Party B in respect of each Transaction outstanding under the Agreement after such date shall be terminated to the extent and in the amounts that are equivalent to the amounts which would have been payable on the Notes so purchased.
- 1.12 If Party A receives a notice that the Notes are to be exchanged for Notes of a New Series pursuant to Condition 7(h) (Exchange of Series) of the Notes having given its consent to such purchase in accordance with such Condition, then the obligation of each of Party A and Party B to make payment or delivery to the other party in respect of each Transaction outstanding under the Agreement after the date of such exchange shall be terminated in full.
- 1.13 On receiving a notice referred to in Paragraphs 1.10 or 1.11 or 1.12 above Party A will calculate the amount owing hereunder to it as a result of such termination or by it as a result of such termination, unless the Confirmation in relation to any Transaction so terminated in whole or in part expressly provides otherwise. Amounts due from Party A to Party B or from Party B to Party A, as the case may be, will be made to the account of the relevant party specified in the Confirmation. All such payments will be made on the date specified in such notice or, in the case of Paragraph 1.10 above, on the due date of redemption of the Notes in question or, in the case of Paragraph 1.12 above, on the date of cancellation of the Notes and issue of the Notes of the New Series.
- 1.14 Separate Agreements: Section 1(c) shall be deleted and replaced with the following:

"Notwithstanding anything to the contrary in this Agreement, in respect of a Series of Notes, each Agreement, each relevant Confirmation and each Transaction shall form a single agreement with respect to that Series of Notes. "**Transaction**", "**Transactions**" and "**Agreement**" shall be interpreted accordingly and no other Agreements and no other Confirmations and Transactions in respect of any other Series of Notes shall be subject to, governed by or made part of such Agreement.

This Agreement shall not be construed in any circumstances to form a single agreement with two or more Confirmations together unless specific provision to that effect is made in the relevant Confirmation and/or Constituting Instrument. It is understood that the parties would not otherwise enter into any Transaction or Transactions. References to this "Agreement" in respect of a Transaction or Transactions mean this document together with the Confirmation relating to that Transaction or Transactions. The terms and provisions of the Agreement in all instances shall be read and construed so as to give effect to the foregoing."

2. Tax Representations

- 2.1 Payer Representation: For the purpose of Section 3(e) of this Agreement, each of Party A and Party B will make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representation made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be in a breach of this representation where reliance is placed on item (ii)

above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

2.2 Payee Representations: None.

3. **Agreement to Deliver Documents**

For the purpose of Sections 3(d) and 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

(A) Tax forms, documents or certificates to be delivered are:

| <u>Party required to deliver document</u> | <u>Form/Document/Certificate</u> | <u>Date by which to be delivered</u> |
|--|---|---|
| Not applicable | Not applicable | Not applicable |

(B) Other documents to be delivered are:

| <u>Party Required to deliver document</u> | <u>Form/Document/Certificate</u> | <u>Date by which to be delivered</u> | <u>Covered by Section 3(d) Representation</u> |
|--|--|---|--|
| Party B | Legal opinion of counsel in the jurisdiction of incorporation of Party B | At signing of the Constituting Instrument relating to the Notes | No |
| | Letter from agent for service of process confirming acceptance of appointment | At signing of the Constituting Instrument relating to the Notes | No |
| | Copy of resolution of board of directors authorising execution of the Charged Agreement constituted by the Constituting Instrument relating to the Notes of the relevant Series and the Confirmation thereunder | At signing of the Constituting Instrument relating to the Notes | Yes |
| | A duly authorised and executed Power of Attorney appointing persons to execute, inter alia, the Charged Agreement constituted by the Constituting Instrument relating to the Notes of the relevant Series and the Confirmation | At signing of the Constituting Instrument relating to the Notes | Yes |

thereunder, or other
evidence of due
authorisation of a
signatory hereto

4. **Miscellaneous**

4.1 **Addresses for Notices:** For the purpose of Section 12(a):

- (A) Address for notices of communications to Party A: As specified in the Constituting Instrument relating to the Notes of the relevant Series.
- (B) Address for notices or communications to Party B: As specified in the Constituting Instrument relating to the Notes of the relevant Series.

4.2 **Process Agent:** For the purpose of Section 13(c):

Party A appoints as its Process Agent: Not applicable.

Party B appoints as its Process Agent the person specified as agent for service of process in the Constituting Instrument relating to the Notes of the relevant Series.

4.3 **Offices:** The provisions of Section 10(a) will apply to this Agreement.

4.4 **Multibranch Party:** For the purpose of Section 10(c):

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

4.5 **Calculation Agent:** The Calculation Agent is Party A unless another entity is specified as Calculation Agent in respect of a Transaction in the Confirmation therefor. Party A (in its own capacity and as Calculation Agent or otherwise) is not acting as a fiduciary for or as an advisor to any person or entity in respect of its duties as Calculation Agent or otherwise in connection with this Agreement or any Transaction hereunder and shall have no obligation to take any person or entity's (other than its own) interest or position into consideration in making any calculation or taking or refraining from taking any action in connection herewith or therewith.

4.6 **Credit Support Document:** Details of any Credit Support Document:

Party A: None, unless in respect of a Series of Notes, the Constituting Instrument therefor specifies that Party A is required to deliver a Credit Support Annex, in which event such Credit Support Annex shall constitute a Credit Support Document in respect of Party A and such Series of Notes.

Party B: None.

4.7 **Credit Support Provider:** Credit Support Provider means in relation to Party A: Not applicable.

Credit Support Provider means in relation to Party B: Not applicable.

4.8 **Governing Law:** This Agreement and all non-contractual obligations and any other matters arising from it will be governed by and construed in accordance with English law.

- 4.9 “Affiliate”: will have the meaning specified in Section 14 unless another meaning is specified here: No change from Section 14 except that with respect to Party B it shall mean any person or entity controlled, directly or indirectly, by Party B.

5. Other Provisions

5.1 No Set-off

- (A) All payments under this Agreement shall be made without set-off or counterclaim.
- (B) Section 6(e) shall be amended by the deletion of the following sentence “The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.”.

5.2 Security interest and transfer

Section 7 shall be replaced by the following:

“Except as otherwise contemplated by Clauses 9.2 and 16.2 of the Master Trust Terms incorporated into the Trust Deed by the Constituting Instrument relating to the Notes of the relevant Series (as defined in the Conditions of the Notes), neither this Agreement nor any interest or obligation in or under it may be transferred (whether by way of security or otherwise) by either party except in accordance with the following:

- (A) subject to the consent of the Trustee, a party may make such a transfer of all or part of its interest in any amount payable to it from a Defaulting Party under Section 6(e);
- (B) subject to the consent of the Trustee and provided that, if such transfer is proposed by Party A and the Notes are then rated at the request of the Issuer by a Rating Agency, such Rating Agency is notified of such substitution and confirms to the Trustee that its then current rating of such Notes by it will not be withdrawn or adversely affected by such transfer, a party may make such transfer of this Agreement to another entity as it shall deem appropriate, whether or not such transfer is pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, such other entity (but without prejudice to any other right or remedy under this Agreement); and
- (C) the Issuer may charge, assign or otherwise create security over its rights under this Agreement in favour of the Trustee pursuant to the Constituting Instrument or any Additional Charging Instrument.

Any purported transfer that is not in compliance with this Section will be void.”.

5.3 Disapplication of certain Events of Default

Sections 5(a)(ii) (Breach of Agreement), 5(a)(iv) (Misrepresentation), 5(a)(v) (Default under Specified Transaction), 5(a)(vi) (Cross Defaults), 5(a)(vii)(9) and 5(a)(viii) (Merger without Assumption) shall not apply in respect of either party.

5.4 Disapplication of certain Termination Events

Sections 5(b)(ii) (Tax Event), 5(b)(iii) (Tax Event Upon Merger) and 5(b)(iv) (Credit Event Upon Merger) shall not apply in respect of either party.

5.5 Transfer to avoid Termination Event

Sections 6(b)(ii) and 6(b)(iii) shall not apply.

5.6 Amendments

Section 9(b) is amended by the addition at the end thereof of the following additional sentences:

“Subject as provided below, if the Notes are rated, any such amendment, modification or waiver shall be subject to prior written notification to each Rating Agency and to confirmation from each Rating Agency as to there being no adverse change caused to the rating granted to the Notes by each Rating Agency that originally assigned a rating to such Notes at or about the time of issuance thereof. The immediately preceding sentence shall not apply to Party A and Party B entering into the Transactions under the Confirmation of even date herewith. This Section 9(b) shall not apply to any amendment, modification or waiver to the Confirmation dated of even date herewith pursuant to the terms of such Confirmation, which amendment, modification or waiver expressly does not require the consent of Party B or is permitted to be made by Party A pursuant to the terms of such Confirmation or which amendment, modification or waiver is deemed to occur pursuant to the terms of such Confirmation.”.

5.7 Additional representation

Section 3 is amended by the addition at the end thereof of the following additional representations:

- “(g) No Agency. It is entering into this Agreement and the Transaction(s) as principal and not as agent of any person.
- (h) Expertise. It has sufficient knowledge and expertise to enter into the Transaction(s) and is relying on its own judgment and not on advice of the other Party.”.

5.8 Recording of conversations

Each party to this Agreement acknowledges and agrees to the tape recording of conversations between the parties to this Agreement whether by one or other or both of the parties.

5.9 Relationship between the parties

The Agreement is amended by the insertion after Section 14 of an additional Section 15, reading in its entirety as follows:

“15. Relationship between the parties

Each party will be deemed to represent to the other party on the date on which it enters into the Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for the Transaction):

(a) Non Reliance

It is acting for its own account and it is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into the Transaction; it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction. It has not received from

the other party any assurance or guarantee as to the expected results of the Transaction.

(b) Assessment and Understanding

It is capable of accepting the terms, conditions and risks of the Transaction. It is also capable of assuming, and assumes, the financial and other risks of the Transaction.

(c) Status of Parties

The other party is not acting as a fiduciary or an adviser for it in respect of the Transaction.

(d) Transactions in the Collateral

It understands that the other party and its Affiliates may engage in proprietary trading for its own account in the Collateral or similar instruments and that such trading may affect the value of the Collateral.”.

5.10 Tax

Notwithstanding the definition of “Indemnifiable Tax” in Section 14 of this Agreement, in relation to payments by Party A, no Tax shall be an Indemnifiable Tax and, in relation to payments by Party B, no Tax shall be an Indemnifiable Tax and accordingly Section 2(d)(i)(4) and Section 2(d)(ii) of this Agreement shall not apply. Section 4(e) shall not apply to Party B.

5.11 Non-petition/limited recourse

Notwithstanding any other provision hereof, of any Charged Agreement or of the Confirmation relating thereto or otherwise, Party A hereby acknowledges that it shall have recourse in respect of any claim (including without limitation after as well as before any court judgment or arbitral award) under or in respect of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or under the Confirmation relating thereto and forming part thereof or otherwise against Party B (whether arising under such Charged Agreement, such Confirmation, the general law, or otherwise) only to the Collateral (or part thereof if so provided in the Constituting Instrument relating to the Notes) relating to the Notes of the relevant Series and that, the security constituted in its favour by or pursuant to the Constituting Instrument relating to the Notes of the relevant Series and/or, if applicable, any Additional Charging Instrument having been enforced, any claim under or in respect of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof or otherwise which it has against Party B and which is not met out of the proceeds of enforcement of such security (as applied in accordance with the provisions of the relevant Constituting Instrument) shall be extinguished and (save for lodging a claim in the liquidation of Party B initiated by another person or taking proceedings to obtain a declaration or judgment as to the obligations of Party B) Party A will not take any further action against Party B in respect thereof and will not have any claim (including without limitation after as well as before any court judgment or arbitral award) under or in respect of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof or otherwise against the Collateral or Charged Assets relating to any other Discrete Series or Alternative Investments issued by Party B or against any other assets of Party B. It is a fundamental term of any debt comprising amounts owing and/or which may become owing to Party A by Party B and/or otherwise howsoever arising under or in respect of the Charged Agreement relating to the Notes of

the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof or otherwise that Party A shall not be entitled to exercise any right of set-off, lien, consolidation of accounts, withholding or other similar right arising by operation of law or otherwise against Party B other than in its capacity as Party A, and then solely in respect of rights arising, under the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto and forming part thereof and not in respect of any other agreement and shall not (save as aforesaid) petition or take any other step for the winding-up of Party B in relation to such debt or on any other grounds in respect of any other claim of whatever nature howsoever arising. This provision shall survive termination for any reason whatsoever of the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument or the Confirmation relating thereto.

5.12 Payments

Section 2(c) shall not apply. There shall be inserted the following additional paragraph as Section 2(f):

- “(f) **Same day payments.** If on any date (a “**Relevant Date**”) amounts are payable in respect of the same Transaction, by each party to the other, then the amount payable by Party A (the “**Party A Payment**”) shall not be so payable until the amount payable by Party B (the “**Party B Payment**”) shall have been duly paid and received in full in accordance with the provisions of this Agreement. If on a Relevant Date, Party A shall not have received evidence satisfactory to it of the payment and receipt of the Party B Payment (“**Party B Payment Evidence**”), it shall be entitled but not obliged to pay the Party A Payment to an interest bearing escrow account in its name with the Principal Paying Agent on terms that the Party A Payment shall be paid to Party B in accordance with this Agreement if Party A shall have notified the Principal Paying Agent that it has received the Party B Payment Evidence but otherwise the Party A Payment shall be immediately repaid in full together with any accrued interest by the Principal Paying Agent to Party A for Party A's sole use and benefit:
- (i) if Party A shall notify the Principal Paying Agent that there has occurred an Event of Default with respect to Party B or a Termination Event; or
 - (ii) in any event (if the Party A Payment shall not at such time have been paid to Party B in accordance with this Section 2(f)), immediately before close of business on the third Local Business Day after the Relevant Date.

The making or withholding of any Party A Payment or the taking or omission to take any other action by Party A in the circumstances and in the manner set out in this Section 2(f) shall not constitute an Event of Default or a Termination Event, in either such case, with respect to Party A. Party A shall as against Party B be absolutely beneficially entitled to any interest accrued on the escrow account referred to above.”.

5.13 Section 5(a)(vii)

Section 5(a)(vii) shall apply with respect to Party B with the following amendments:

- (i) Section 5(a)(vii)(2) shall not apply.
- (ii) Section 5(a)(vii)(3) shall take effect with the words “the Noteholders” substituted for “its creditors”.

- (iii) Section 5(a)(vii)(4) is hereby deleted and replaced with the words “institutes or has instituted against it (other than by Party A or its Affiliates) 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, or for the appointment of an examiner to it and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or the appointment of an examiner to it or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof”.
- (iv) Section 5(a)(vii)(5) is hereby amended by the insertion of the following words after the occurrence of the word “liquidation”:

“or sends a notice convening a meeting to propose a voluntary arrangement of the Noteholders”.
- (v) Sections 5(a)(vii)(6) and (7) shall take effect with the words “assets comprised in the Collateral (as defined in the Constituting Instrument)” substituted for “all or substantially all its assets”.
- (vi) Section 5(a)(vii)(7) is hereby amended by the insertion of the following words after the occurrence of the word “thereafter”:

“other than, for the avoidance of doubt, in the case of Party B, by the creation of any security interest in respect of Party B’s assets pursuant to the trust deed in respect of any Series of Notes or the Deed of Floating Charge (if any)”.
- (vii) Section 5(a)(vii)(9) shall not apply.

5.14 Contracts (Rights of Third Parties) Act 1999

A person which is not a party to the Charged Agreement relating to the Notes of the relevant Series constituted by the Constituting Instrument relating to the Notes has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of such Charged Agreement or any agreement or deed or constituted hereby, but this does not affect any right or remedy of a third party which exists or is available apart from that Act (and is without prejudice to the right of the Trustee to enforce its security over such Charged Agreement as contemplated by the Trust Deed relating to the Notes of the relevant Series).

5.15 Calculation of Settlement Amount

Notwithstanding the provisions of Section 6(e), the determination of any Settlement Amount shall be made by Party A in all circumstances except where Party A is the Defaulting Party, in which case it shall be made by Party B.

5.16 Notices

Section 12 of the Agreement is amended by the deletion of the following in the second to third lines thereof:

“(except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system).”.

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