

PROSPECTUS

ARLO XII Limited

(Incorporated with limited liability in the Cayman Islands)

Series 2011 (CLN-1)

JPY 2,000,000,000 Secured Limited Recourse Credit-Linked Notes due 31 March 2015

This Prospectus is issued in conjunction with, and incorporates by reference the contents of, the Base Prospectus dated 6 May 2010 (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**”). This Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under the Prospectus Directive 2003/71/EC (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.

This Prospectus has been prepared for the purpose of giving information about the issue of the Series 2011 (CLN-1) JPY 2,000,000,000 Secured Limited Recourse Credit-Linked Notes due 31 March 2015 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 Base Prospectus.

The date of this Prospectus is 22 March 2011.

Arranger

BARCLAYS BANK PLC

CONTENTS

RESPONSIBILITY STATEMENT	1
DOCUMENTS INCORPORATED BY REFERENCE	3
NOTICE TO INVESTORS FROM BARCLAYS BANK PLC	4
RISK FACTORS	5
INVESTOR REPRESENTATIONS	11
CONDITIONS OF THE NOTES	13
TAX CONSIDERATIONS	22
SUBSCRIPTION AND SALE	23
INFORMATION CONCERNING THE SWAP COUNTERPARTY	26
INFORMATION CONCERNING THE BANK OF NEW YORK MELLON	39
INFORMATION CONCERNING BNY CORPORATE TRUSTEE SERVICES LIMITED	40
GENERAL INFORMATION	41
DESCRIPTION OF THE CHARGED ASSETS	42
DESCRIPTION OF THE REFERENCE ENTITY	43
ANNEX 1: FORM OF CHARGED AGREEMENT	44
ANNEX 2: FORM OF MASTER CHARGED AGREEMENT TERMS	65
SCHEDULE	66

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus (except (i) in relation to the information under the heading “Information concerning the Swap Counterparty” (the **“Barclays Information”**), for which Barclays Bank PLC takes sole responsibility, (ii) in relation to the information under the heading “Information concerning The Bank of New York Mellon” (the **“BNY Mellon Information”**), for which The Bank of New York Mellon takes sole responsibility, (iii) in relation to the information under the heading “Information concerning BNY Corporate Trustee Services Limited” (the **“BNY Trustee Information”**), for which BNY Corporate Trustee Services Limited takes sole responsibility, (iv) in relation to the information regarding the Charged Assets under the heading “Description of the Charged Assets” and elsewhere in this Prospectus, for which the Issuer only accepts responsibility for correctly reproducing such information from the website of the Ministry of Finance Japan and Bloomberg and that as far as the Issuer is aware and is able to ascertain from information published by the issuer of the Charged Assets, no facts have been omitted which would render the reproduced information inaccurate or misleading and accepts no other responsibility in respect thereof, (v) in relation to the information regarding the Reference Entity under the heading “Description of the Reference Entity” and elsewhere in this Prospectus, for which the Issuer only accepts responsibility for correctly reproducing such information from public sources and accepts no other responsibility in respect thereof, and (vi) in relation to the information in relation to the Reference Entity and Specified Reference Obligation contained in the Form of Confirmation set out in Schedule 1 hereto, for which the Issuer only accepts responsibility for correctly reproducing such information from such Form of Confirmation, and accepts no other responsibility in respect thereof).

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 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 registered office of the Issuer, the principal office of the Trustee, 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 are expected to be rated “AA-” by Japan Credit Rating Agency, Ltd. or any successor to the rating business thereof (the “**Rating Agency**”) on the Issue Date, but no assurance is given that such ratings will be obtained and such rating is not a condition precedent to the issuance of the Notes. Japan Credit Rating Agency, Ltd. is neither established in the European Community nor registered under Regulation (EC) 1060/2009.

A rating is not a recommendation to buy, sell or hold a security and may be subject to revision or withdrawal at any time by the assigning rating agency. There can be no assurance that the Rating Agency will continue to monitor its rating of the Notes during the life of the Notes or that such rating may not be downgraded or withdrawn.

This Prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. 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 Prospectus constitutes a Prospectus for the purposes of the Prospectus Directive in connection with the application for such Notes to be admitted to the Official List. However, no assurance is given that such listing and admission will be obtained thereafter.

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 REGULATIONS 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.

Any websites mentioned herein do not form part of this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The Base Prospectus is incorporated in, and shall be taken to form part of, this Prospectus.

This document must be read and construed in conjunction with the Base Prospectus and shall be deemed to modify and supersede the contents of the Base Prospectus to the extent that a statement contained herein is inconsistent with such contents.

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 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 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.

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 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, 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 1,000,000,000. 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 13 January 2011, 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 Charged Assets or the 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 Charged Assets, the 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 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 Charged Assets or the Reference Entity (including, without limitation, with regard to

their respective financial condition or creditworthiness) or any 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 Charged Assets or by the Reference Entity, respectively, to any of them or to any other person or filed by the issuer of the 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 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 Charged Assets, constitute legal, valid and binding obligations of the Reference Entity or the issuer or obligor of the 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 Charged Assets and the

Reference Entity is contained in the sections entitled “Description of the Charged Assets” and “Description of the Reference Entity”, and none of the Issuer, the Programme Parties or any of their respective affiliates or any other person has verified the information relating to the Charged Assets and the Reference Entity contained herein or in any of the documents made available for inspection by the Noteholders and, accordingly, none of them makes any representation or warranty, express or implied, as to the accuracy or completeness of such information.

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 will be obtained by the Arranger, the Dealer and the Trustee with respect to English law, Japanese law and Cayman Islands law, it is not intended that legal opinions be 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.

INVESTOR REPRESENTATIONS

By purchasing the Notes each Noteholder shall be deemed to represent, warrant and covenant on the Trade Date (as defined in the Charged Agreement), the Issue Date and one Business Day immediately following the Issue Date 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.

CONDITIONS OF THE NOTES

Series 2011 (CLN-1)

JPY 2,000,000,000 Secured Limited Recourse Credit-Linked Notes due 31 March 2015

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 6 May 2010 (the “**Base Prospectus**”) 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**”).

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 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 – 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 2011 (CLN-1).
 - (ii) Specified Currency: Japanese Yen (“**JPY**” or “**¥**”).
3. Principal Amount: JPY 2,000,000,000.
4. Status: The Notes are secured and limited recourse obligations of the Issuer ranking *pari passu* 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 7,500,000. |
| 6. | Authorised Denomination: | JPY 1,000,000,000. |
| 7. | Issue Date: | 3 February 2011. |
| 8. | Maturity Date: | Scheduled Termination Date of the Charged Agreement. |
| 9. | Charged Assets: | JPY 2,000,000,000 principal amount of an issue by the Government of Japan No. 88 0.50 per cent. Bonds due 20 March 2015 (ISIN: JP1050881A37). |

The Charged Assets 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 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 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 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 the 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 JPY in an amount equal to the Custody Cash Account Balance.

- 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 a confirmation of a swap transaction entered into between the Swap Counterparty and the Issuer, with an effective date of 3 February 2011.
- 11. Security: As set out in Condition 4(a) (*Security*) save that:
 - (i) there will additionally be an assignment of the Issuer’s rights against the Custodian and the Sub-Custodian with respect to the Charged Assets under the Custody Agreement and the Sub-Custody Arrangements, and any moneys and/or other assets received thereunder; and
 - (ii) the 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. |
| | (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 (<i>Interest</i>) and, to the extent of any conflict between the provisions of this paragraph 13 and Condition 6 (<i>Interest</i>), 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 with a rating of "AA-" 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. In these Terms and for the purposes of the Conditions, references to " Business Days " shall (except where specified otherwise) be construed as references to days which are Tokyo, London and New York Business Days. |
| 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 Schedule 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.

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 Unwind Costs (to the extent 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 13 January 2011 (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 13 January 2011 (notwithstanding that such date precedes the Issue Date), up to and including the Specified Date (as defined in the Charged Agreement) which is 31 March 2015, 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*).
26. Settlement Procedures: The Notes have been accepted for settlement in Euroclear and Clearstream, Luxembourg.
27. Common Code: 058043192
28. ISIN: XS0580431921
29. Additional Provisions: The final sentence of the first paragraph of Condition 7(g) (*Purchase*) shall deemed to be deleted and replaced with the following:
- “On any subsequent re-sale or re-issue of such Notes which the Issuer has not cancelled, there will be a *pro rata* increase in payments under the Charged Agreement (if any) and in the amount of the Charged Assets.”
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 7 Princes Street, London EC2R 8AQ 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: 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.

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 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

In relation to each member state of the European Economic Area (each, a “**Member State**”) which has implemented the Prospectus Directive (each such Member State, a “**Relevant Member State**”), the Arranger has represented and agreed, and each further Arranger appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes 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:

- (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those 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, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 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 and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Republic of Ireland

The Arranger has represented and agreed that:

- (i) it will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the 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 to 2004 (as amended) and any codes of conduct rules made under Section 117(1) thereof;
- (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, place or otherwise act 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 “**Financial Instruments and Exchange**

Act”), 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 Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The Arranger has 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 other than (a) to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or (b) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong (the “**CO**”) or (c) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”) and any rules made under the SFO or (d) in other circumstances which do not result in the document being a “prospectus” within the meaning of the CO; 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 (in each case 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 in 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” within the meaning of the SFO and any rules made under the SFO.

INFORMATION CONCERNING THE SWAP COUNTERPARTY

Barclays Bank PLC accepts sole responsibility for the following information. None of the Issuer, the Trustee or any of the other Programme Parties (other than Barclays Bank PLC) has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries in respect of Barclays Bank PLC and the Group (as defined below).

THE BANK AND THE GROUP

Barclays Bank PLC (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, 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 Bank and its subsidiary undertakings (taken together, 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, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of the Bank are rated AA- by Standard & Poor's, Aa3 by Moody's and AA- by Fitch Ratings Limited.

Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”), Moody's Investor Service, Inc. (“**Moody's**”) and Fitch Ratings Limited (“**Fitch**”) are established in the European Community. S&P, Moody's and Fitch have each applied for registration pursuant to Article 15 (*Application for Registration*) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit ratings (the “**Regulation**”). As at the date of this Prospectus, no registration has been granted to S&P or Moody's or Fitch, however pursuant to Article 40 (*Transitional Provisions*) of the Regulation, S&P, Moody's and Fitch may continue to issue credit ratings which may be used for regulatory purposes by the financial institutions referred to in Article 4(1) of the Regulation unless such registration is refused.

Based on the Group's audited financial information for the year ended 31 December 2009, the Group had total assets of £1,379,148 million (2008: £2,053,029 million), total net loans and advances¹ of £461,359 million (2008: £509,522 million), total deposits² of £398,901 million (2008: £450,443 million), and total shareholders' equity of £58,699 million (2008: £43,574 million) (including non-controlling interests of £2,774 million (2008: £2,372 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2009 was £4,559 million (2008: £5,094 million) after impairment charges and other credit provisions of £8,071 million (2008: £5,419 million). Profit after tax for the year ended 31 December 2009, including discontinued operations and the sale of Barclays Global Investors, was £10,289 million (2008: £5,249 million). The financial information in this paragraph is extracted from the audited Annual Report of the Group for the year ended 31 December 2009.

Based on the Group's unaudited financial information for the six months ended 30 June 2010, the Group had total assets of £1,587,806 million, total net loans and advances¹ of £494,190 million, total deposits² of £455,297 million, and total shareholders' equity of £61,720 million (including non-controlling interests of £3,016 million). The profit before tax from continuing operations of the

Group for the six months ended 30 June 2010 was £3,947 million after impairment charges on loans and advances and other credit provisions of £3,080 million. The financial information in this paragraph is extracted from the Bank Interim Results Announcement.

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.

Acquisitions, Disposals and Recent Developments

Acquisition of Tricorona AB (publ)

On 2 June 2010, Barclays PLC announced that its wholly owned subsidiary TAV AB has made a recommended cash offer to acquire all the shares in Tricorona AB (publ), a Stockholm-listed carbon developer, for a total consideration of approximately £98 million (SEK 1,130 million) (the “Offer”). The Offer was declared unconditional in all respects on 20 July 2010.

Sale of HomEq Servicing

On 28 May 2010, the Bank announced that it agreed to sell HomEq Servicing, its U.S. mortgage servicing business, to Ocwen Loan Servicing, LLC (“Ocwen”), a subsidiary of Ocwen Financial Corporation, for a consideration of approximately U.S.\$1.3 billion, payable in cash on completion. The consideration is subject to an adjustment mechanism based on the unpaid principal balance of the servicing portfolio and the value of certain other assets at completion of the transaction. As part of the transaction, the Bank agreed to provide Ocwen with approximately U.S.\$1.0 billion in secured financing and may assist Ocwen in raising additional third party financing. The sale was completed on 1 September 2010.

Exercise of the warrants

On 17 February 2010, Barclays PLC received notice of the exercise by PCP Gulf Invest 3 Limited, owned by Nexus Capital Investing Limited, of 626.8 million of the 758.4 million warrants it holds in Barclays PLC for an aggregate exercise price of approximately £1,240 million, resulting in the issue of 626.8 million new ordinary shares in Barclays PLC.

Acquisition of Citi's Italian credit card business

On 11 February 2010, Barclays PLC announced that the Bank agreed to acquire the Italian credit card business of Citibank International Bank plc. The Bank acquired the business as a going concern which involved the acquisition of approximately 197,000 credit card accounts and gross assets of approximately €234 million (as at 31 December 2009). The acquisition was completed on 31 March 2010.

Sale of Barclays Global Investors

On 12 June 2009, Barclays PLC announced receipt of a binding offer for the Barclays Global Investors business and on 16 June 2009 announced acceptance of such offer. The sale of Barclays Global Investors business to BlackRock, Inc. was completed on 1 December 2009 for U.S.\$15.2 billion (£9.5 billion), including 37.567 million new BlackRock shares.

Acquisition of Standard Life Bank

On 26 October 2009, Barclays PLC announced that the Bank had agreed to acquire Standard Life Bank Plc from Standard Life Plc for a consideration of £227 million. The acquisition was completed on 1 January 2010.

Acquisition of Citi's Portuguese credit card business

On 29 September 2009, Barclays PLC announced that the Bank, acting through its Portuguese branch, had agreed to acquire approximately 400,000 credit card accounts (representing gross assets of approximately €644 million (as at 30 June 2009)) from Citibank International plc, Sucursal em Portugal. The acquisition was completed on 1 December 2009.

Restructuring of credit market assets

On 16 September 2009, Barclays PLC announced the restructuring of U.S.\$12.3 billion of credit market assets. Further information is included in the announcement of Barclays PLC issued on 16 September 2009 in relation to the restructuring of US\$12.3 billion of credit market assets as filed with the U.S. Securities and Exchange Commission ("SEC") on Form 6-K on Film Number 091071595.

Life insurance joint venture

On 10 September 2009, the Bank and CNP Assurances SA ("**CNP**") confirmed the establishment of a long-term life insurance joint venture in Spain, Portugal and Italy. As part of this transaction, the Bank sold a 50 per cent stake in Barclays Vida y Pensiones Compañía de Seguros, Barclays Iberian life insurance and pensions subsidiary, to CNP for €165 million.

Competition and Regulatory Matters

The scale of regulatory change remains challenging and the global financial crisis is resulting in 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 in the UK and elsewhere which, in some cases, is leading to increased or changing regulation. For example, the UK Chancellor of the Exchequer has proposed reallocating the Financial Services Authority ("**FSA**")'s current responsibilities between the Bank of England and a new Consumer Protection and Markets Authority by the end of 2012 and has tasked an independent commission with reviewing the UK banking system, in particular focusing on competition issues and the possible splitting of retail and investment banking operations, with findings and recommendations expected by September 2011. On 21 October 2010, the UK Government published draft legislation in relation to a new bank levy, which had been announced by the Chancellor in June 2010. The bank levy will apply to certain UK banks and building societies and the UK operations of foreign banks from 1 January 2011. The Bank will be subject to the new levy but cannot, as at the date of this Prospectus, quantify its potential exposure. In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains far reaching regulatory reform. Whilst focused on U.S. financial institutions, many provisions will significantly affect companies such as the Bank although the full impact will not be known until implementing rules are made by governmental authorities. The nature and impact of future changes in the legal framework, policies and regulatory action cannot currently be fully predicted and are beyond the Group's control but, especially in the area of banking regulation, are likely to have an impact on the Group's businesses and earnings.

The market for payment protection insurance ("**PPI**") has been under scrutiny by the UK competition authorities and financial services regulators. Following a reference from the Office of Fair Trading ("**OFT**"), the UK Competition Commission ("**CC**") undertook an in-depth enquiry into the PPI market. The CC published its final report on 29 January 2009 concluding that the businesses which offer PPI alongside credit face little or no competition when selling PPI to their credit customers. In March 2009, the Bank submitted a targeted appeal focused on the prohibition on sale of PPI at the point of sale ("**POSP**") remedy on the basis that it was not based on sound analysis, and is unduly draconian. The Competition Appeals Tribunal ("**CAT**") upheld the Bank's appeal on two grounds, meaning that the CC was required to reconsider the POSP remedy and

the basis for it, and made an order to that effect on 26 November 2009. The remittal process resulted in a final decision on 14 October 2010 upholding the POSP remedy. The CC will publish its final Remedies Order later in the autumn of 2010.

Separately, in 2006, the FSA published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly and that the FSA would strengthen its actions against such firms. Tackling poor PPI sales practices remains a priority for the FSA. On 10 August 2010, the FSA published a final version of its policy statement by way of an amendment to the DISP (Dispute Resolution: Complaints) rules in the FSA Sourcebook. Firms must implement the measures outlined in the policy statement by 1 December 2010. The Bank voluntarily complied with the FSA's request to cease selling single premium PPI by the end of January 2009.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. A decision by the OFT in the MasterCard interchange case was set aside by the CAT in 2006. The OFT is progressing its investigations in the Visa interchange case and a second MasterCard interchange case in parallel and both are ongoing. The outcome is not known but these investigations may have an impact on the consumer credit industry in general and therefore on the Group's business in this sector. In 2007, the OFT expanded its investigation into interchange rates to include debit cards.

Notwithstanding the Supreme Court ruling in relation to the test case, the Bank continues to be involved in the OFT's work on personal current accounts ("**PCAs**"). The OFT initiated a market study into PCAs in the UK in 2007 which also included an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. In 2008, the OFT published its market study report, in which it concluded that certain features of the UK PCA market were not working well for consumers. The OFT reached the provisional view that some form of regulatory intervention is necessary in the UK PCA market. The OFT also held a consultation to seek views on the findings and possible measures to address the issues raised in its report. In October 2009, the OFT published a follow-up report containing details of voluntary initiatives in relation to transparency and switching agreed between the OFT and the industry. A further follow-up report was published in March 2010 providing details of voluntary initiatives and working parties agreed in relation to certain aspects of charging structures. The Group has participated fully in the market study process and will continue to engage with the working parties.

U.S. laws and regulations require compliance with U.S. economic sanctions, administered by the Office of Foreign Assets Control, against designated foreign countries, nationals and others. HM Treasury regulations similarly require compliance with sanctions adopted by the UK government. The Group has been conducting an internal review of its conduct with respect to U.S. Dollar payments involving countries, persons and entities subject to U.S. economic sanctions and has been reporting the results of that review to various governmental authorities, including the U.S. Department of Justice, the Manhattan District Attorney's Office and the U.S. Department Of Treasury's Office of Foreign Assets Control (together the "**U.S. Authorities**"), which have been conducting investigations of the matter.

On 18 August 2010, the Bank announced that it had reached settlements with the U.S. Authorities in relation to the investigation by those agencies into compliance with U.S. sanctions and U.S. Dollar payment practices. In addition, an Order to Cease and Desist has been issued upon consent by the Federal Reserve Bank of New York and the New York State Banking Department. The Bank has agreed to pay a total penalty of U.S.\$298 million and has entered into Deferred Prosecution Agreements covering a period of 24 months. The Bank has fully briefed other relevant regulators on this settlement. The Deferred Prosecution Agreements mean that no further action will be taken against the Bank by the U.S. Authorities if, as is the Bank's intention, for the duration of the defined period it meets the conditions set down in its agreements with the

U.S. Authorities. The Bank does not anticipate any further regulatory actions relating to these issues.

Directors

The Directors of the Bank, each of whose business address is 1 Churchill Place, London E14 5HP, 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>
Marcus Agius	Group Chairman	Non-Executive Director, British Broadcasting Corporation, Chairman, British Bankers' Association
Robert E Diamond Jr	Group Chief Executive	Chairman, Old Vic Productions PLC, Non-Executive Director, BlackRock, Inc.
Chris Lucas	Group Finance Director	—
Sir Richard Broadbent	Deputy Chairman, Senior Independent Director and Non-Executive Director	—
David Booth	Non-Executive Director	—
Alison Carnwath	Non-Executive Director	Non-Executive Chairman, Land Securities Group plc, Senior Independent Director, Man Group plc, Non-Executive Director, Paccar Inc, Non-Executive Chairman, ISIS EP LLP
Fulvio Conti	Non-Executive Director	Chief Executive Officer, Enel SpA, Director, AON Corporation
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 PLC
Reuben Jeffery III	Non-Executive Director	Senior Adviser, Center for Strategic & International Studies, Independent Director, Transatlantic Holdings, Inc., 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, Lundin Petroleum AB
Sir Michael Rake	Non-Executive Director	Chairman, BT Group PLC, Director, McGraw-Hill Companies, Director, Financial Reporting Council, Chairman, UK Commission for Employment and

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
		Skills, Chairman, EasyJet PLC
Sir John Sunderland	Non-Executive Director	Director, Financial Reporting Council, Chairman, Merlin Entertainments Group

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

The average number of persons employed by the Group worldwide during 2009 (full time equivalents) was 144,200 (2008: 152,800).

Litigation

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 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 ("**ADS**") offered by the Bank at various times between 2006 and 2008 contained misstatements and omissions concerning (amongst other things) Barclays portfolio of mortgage-related (including U.S. sub-prime-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. The Bank considers that these ADS-related claims against it are without merit and is defending them vigorously. It is not possible to estimate any possible loss in relation to these claims or any effect that they might have upon operating results in any particular financial period.

On 15 September 2009, motions were filed in the United States Bankruptcy Court for the Southern District of New York (the "**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 challenge 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 claimants seek 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. 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. The Bank considers that the motions and claims against BCI are without merit and BCI is vigorously defending its position. On 29 January 2010, BCI 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. The Court commenced a hearing in mid-April 2010, and claimants completed the presentation of their fact evidence on 25 June 2010. The evidentiary hearing resumed in August, September and October 2010, when Barclays presented its case-in-chief and both sides presented expert testimony. Evidence is now closed. Closing arguments were heard on 21 October 2010 and the post-trial briefing was held on 22 November 2010. Judgment is expected in 2011. It is not possible to estimate any possible loss to the Bank in relation to these matters or any effect that these matters might have upon operating results in any particular financial period.

Barclays PLC and the Group are engaged in various other litigation proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of business. The Bank does not expect the ultimate resolution of any of the proceedings to which the Group is party to have a significant adverse effect on the financial position of the Group and the Bank has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claims.

Save as disclosed in paragraphs 1 and 2 of this section, 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 2010.

Material Adverse Change Statement

There has been no material adverse change in the prospects of the Bank or the Group since 31 December 2009.

Principal Risk Factors

Business conditions and the general economy

The Bank operates a universal banking business model and its services range from current accounts for personal customers to inflation-risk hedging for governments and institutions. The Group also has significant activities in a large number of countries. There are, therefore, many ways in which changes in business conditions and the general economy can adversely impact the Group's profitability, be they at the level of the Group, the individual business units or the specific countries in which the Group operates.

The Group's stress testing framework helps it understand the impact of changes in business conditions and the general economy, as well as the sensitivity of its business goals to such changes and the scope of management actions to mitigate their impact.

As the current downturn has shown, higher unemployment in the UK, U.S., Spain and South Africa has led to increased arrears in the Group's card portfolios, while falls in GDP have reduced the credit quality of the Group's corporate portfolios. In both cases, there is an increased risk that a higher proportion of the Group's customers and counterparties may be unable to meet their obligations. In addition, declines in residential and commercial property prices have reduced the value of collateral and caused mark to market losses in some of the Group's trading portfolios.

The business conditions facing the Group are subject to significant uncertainties, most notably:

- the extent and sustainability of economic recovery and asset prices in the UK, U.S., Spain and South Africa as governments consider how and when to withdraw stimulus packages;
- the dynamics of unemployment in those markets and the impact on delinquency and charge-off rates;
- the speed and extent of possible rises in interest rates in the UK, U.S. and eurozone;
- the possibility of further falls in residential property prices in the UK, South Africa and Spain;
- the potential for single name risk and for idiosyncratic losses in different sectors and geographies where credit positions are sensitive to economic downturn;
- possible additional deterioration in the Group's remaining credit market exposures, including commercial real estate and leveraged finance;
- the potential impact of deteriorating sovereign credit quality;
- changes in the value of Sterling relative to other currencies, which could increase risk-weighted assets and therefore raise the capital requirements of the Group; and
- the liquidity and volatility of capital markets and investors' appetite for risk, which could lead to a decline in the income that the Group receives from fees and commissions.

Retail and wholesale credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances. However, credit risk may also arise where the downgrading of an entity's credit rating causes a fall in the fair value of the Group's investment in that entity's financial instruments.

In a recessionary environment, such as that recently seen in the United Kingdom, the United States and other economies, credit risk increases. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the assets, or where the counterparty may be the country itself.

Another form of credit risk is settlement risk, which is the possibility that the Group may pay funds away to a counterparty but fail to receive the corresponding settlement in return. The Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include broker dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these relationships expose the Group to credit risk in the event of default of a counterparty and to systemic risk affecting its counterparties. Where the Group holds collateral against counterparty exposures, it may not be able to realise it or liquidate it at prices sufficient to cover the full exposures. Many of the hedging and other risk management strategies utilised by the Group also involve transactions with financial services counterparties. The failure of these counterparties to settle or the perceived weakness of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies.

Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The majority of the risk resides in the Barclays Capital division of the Bank. The Group is also exposed to market risk through non-traded interest rate risk and the pension fund.

The Group's future earnings could be affected by depressed asset valuations resulting from a deterioration in market conditions. Financial markets are sometimes subject to stress conditions where steep falls in asset values can occur, as demonstrated by events in 2007 and 2008 affecting asset backed CDOs and the U.S. sub-prime residential mortgage market and which may occur in other asset classes during an economic downturn. Severe market events are difficult to predict and, if they continue to occur, could result in the Group incurring additional losses.

From the second half of 2007, the Group recorded material net losses on certain credit market exposures, including ABS CDO Super Senior exposures. As market conditions change, the fair value of these exposures could fall further and result in additional losses or impairment charges, which could have a material adverse effect on the Group's earnings. Such losses or impairment charges could derive from: a decline in the value of exposures; a decline in the ability of counterparties, including monoline insurers, to meet their obligations as they fall due; or the ineffectiveness of hedging and other risk management strategies in circumstances of severe stress.

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

- meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- support its credit rating. A weaker credit rating would increase the Group's cost of funds; and
- support its growth and strategic options.

Regulators assess the Group's capital position and target levels of capital resources on an ongoing basis. Targets may increase in the future, and rules dictating the measurement of capital may be adversely changed, which would constrain the Group's planned activities 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.

In December 2009, the Basel Committee on Banking Supervision issued a consultative document that outlined proposed changes to the definition of regulatory capital. These proposals are going through a period of consultation and are expected to be introduced by the beginning of 2013, with substantial transitional arrangements. While the proposals may significantly impact the capital resources and requirements of the Group, the Group maintains sufficient balance sheet flexibility to adapt accordingly.

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 protracted increase in cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. This risk is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events.

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.

The FSA issued its policy document on 'strengthening liquidity standards' on 5 October 2009 detailing the requirements for liquidity governance to be in place by 1 December 2009, and the quantitative requirements for liquidity buffers, which have been in place since 1 June 2010, although with an extended transition period of several years to meet the expected standards.

In addition, the Basel Committee on Banking Supervision released a consultative document 'International framework for liquidity risk measurement, standards and monitoring' in December 2009. This included two new key liquidity metrics. A liquidity coverage ratio aimed at ensuring banks have sufficient unencumbered high quality assets to meet cash outflows in an acute short-term stress and a net stable funding ratio to promote longer-term structural funding of bank's balance sheet and capital market activities.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Group's operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Bank will be unable to comply with its obligations as a company with securities admitted to the

Official List of the FSA or that any member of the Group will be unable to comply with its obligations as a supervised firm regulated by the FSA.

Financial crime risk

Financial crime risk is the risk that the Group might suffer losses as a result of internal and external fraud, or might fail to ensure the security of personnel, physical premises and the Bank's assets or internal damage, loss or harm to people, premises or moveable assets.

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. 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.

In addition, 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 United Kingdom, the EU, the United States, South Africa and elsewhere. All these are subject to change, particularly in an environment where recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective banking sectors, including by imposing enhanced capital and liquidity requirements. Any future regulatory changes may potentially restrict the Group's operations, mandate certain lending activity and impose other compliance costs.

For a description of certain recent or proposed regulatory changes, see, "*The Bank and the Group – Acquisitions, Disposals and Recent Developments – Competition and regulatory matters*".

Areas where changes could have an impact include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- 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; and
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes.

Two specific matters that directly impact the Group are the Banking Act 2009 and the Financial Services Compensation Scheme:

Banking Act 2009

The Banking Act 2009 (the “**Banking Act**”) provides a permanent 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.

Financial Services Compensation Scheme

Banks, insurance companies and other financial institutions in the UK are subject to the Financial Services Compensation Scheme (the “**FSCS**”) where 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 EEA currencies (including the Euro) 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 30 June 2010, the Group had accrued £94 million (31 December 2009: £108 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 30 June 2010, estimated by the Group to amount to £20 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. As at the date of this Prospectus, it was not possible to estimate the amount of any 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 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. Primarily:

- the Group’s 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 against the Group in an adverse way;
- the intellectual property of the Group (such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. Although the Group has processes and controls to manage legal risks, failure to manage these risks could impact the Group adversely, both financially and by reputation.

Taxation risk

The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at an EU level. A number of double taxation agreements entered into between two countries also impact on the taxation of the Group. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. 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 Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk, specifically:

- tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;
- the tax charge is also reviewed by the Board Audit Committee;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the Group takes appropriate advice from reputable professional firms;
- the Group employs high-quality tax professionals and provides ongoing technical training;
- the tax professionals understand and work closely with the different areas of the business;
- the Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and

where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

INFORMATION CONCERNING THE BANK OF NEW YORK MELLON

The Bank of New York Mellon (formerly known as The Bank of New York) accepts sole responsibility for the following information. None of the Issuer, 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 liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries 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 bnymellon.com.

INFORMATION CONCERNING BNY CORPORATE TRUSTEE SERVICES LIMITED

BNY Corporate Trustee Services Limited (formerly known as J.P. Morgan Corporate Trustee Services Limited) accepts sole responsibility for the following information. None of the Issuer, the Arranger, the Swap Counterparty or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into BNY Corporate Trustee Services Limited.

On 2 October 2006 the Trustee changed its name to BNY Corporate Trustee Services Limited and will shortly become a wholly owned subsidiary of BNY Corporate Holdings (UK) Limited.

The Trustee is a trust 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.

The Trustee will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties, or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. The Trustee will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Property and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

JPMorgan Chase Bank, N.A. has entered into an agreement with The Bank of New York Company, Inc. pursuant to which JPMorgan intends to exchange select portions of its corporate trust business, including municipal, corporate and structured finance trusteeships, for The Bank of New York Company, Inc.'s consumer, small-business and middle-market banking businesses. This transaction has been approved by both companies' boards of directors and closed on 1 October 2006.

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 have been 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 31 January 2011.

5. Cash Flow and Flow of Funds

Pursuant to the Charged Agreement, the Buyer Payment Amount and the Buyer’s Final Payment (if any) (each 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 the Prospectus and for so long as any of the 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 the Principal Paying Agent and the Irish Listing Agent.

DESCRIPTION OF THE CHARGED ASSETS

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

Issuer:	The Government of Japan.
Description:	JPY 2,000,000,000 principal amount of the Government of Japan No. 88 0.50 per cent. Bonds due 20 March 2015.
Issue Size:	JPY 7,707,460,500,000.
Specified Currency or Currencies:	JPY.
Aggregate Nominal Amount:	JPY 2,000,000,000.
Interest:	0.50 per cent. per annum.
Interest Basis:	Fixed.
Legal Maturity Date:	20 March 2015.
ISIN:	JP1050881A37.
Name of Exchange on which securities are to be Listed:	Tokyo Stock Exchange, Osaka Stock Exchange and Nagoya Stock Exchange.
Governing law:	Japanese

DESCRIPTION OF THE REFERENCE ENTITY

The following information and any other information contained in this Prospectus relating to the Reference Entity has been reproduced from public sources. More details regarding the Reference Entity can be found at the website of the NIPPON STEEL CORPORATION <http://www.nsc.co.jp/>. None of the Issuer, the Arranger, the Trustee, the Swap Counterparty or any of the other Programme Parties has verified, or accepts any liability whatsoever for the accuracy of, such information and prospective investors in the Notes should make their own independent investigations and enquiries into the Reference Entity.

NIPPON STEEL CORPORATION

Name:	NIPPON STEEL CORPORATION
Address:	Marunouchi Park Bldg., 2-6-1, Marunouchi, Chiyoda Ward, Tokyo 100-8071, Japan
Country of Incorporation:	Japan
Description:	NIPPON STEEL CORPORATION is an integrated steel maker. The company produces various types of steel products used for industrial machinery and equipment and exports them worldwide. Nippon Steel provides plant construction and urban development and also develops new businesses such as chemicals, ceramics, electronic equipment and information and communication systems.
Name of Exchange on which securities are Listed:	Tokyo Stock Exchange and Osaka Stock Exchange.

ANNEX 1: FORM OF CHARGED AGREEMENT
CONFIRMATION OF CREDIT SWAP TRANSACTION

Date: 3 February 2011

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 3 February 2011 (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 8 November 2010 (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 3 February 2011, as amended and supplemented from time to time (the "**Agreement**"), entered into by you and us by our execution of the Constituting Instrument dated 3 February 2011 (the "**Constituting Instrument**"), by and among the parties thereto for purposes of constituting the Series 2011 (CLN-1) JPY 2,000,000,000 Secured Limited Recourse Credit Linked Notes due 31 March 2015 (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: 13 January 2011

Effective Date: 3 February 2011, provided that for the purposes of Section 3.3 (*Credit Event Notice*) the Effective Date shall be 13 January 2011.

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), <u>provided that</u> , 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).		
Specified Date:	31 March 2015		
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:	NIPPON STEEL CORPORATION 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:	The obligation identified as follows:		
	Issuer:	NIPPON STEEL CORPORATION	
	Maturity:	11 September 2017	
	Coupon:	3.175% per annum	
	ISIN:	JP338100AT99.	
All Guarantees:	Applicable.		

Reference Price: 100 per cent.

2. **Initial Exchange:**

On 3 February 2011, Seller shall pay to Buyer JPY 1,992,500,000 (the “**Initial Exchange Amount**”) and Buyer shall deliver to or to the order of Seller the 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 Charged Assets and to pay any Buyer Payments that Seller has paid the Initial Exchange Amount on 3 February 2011.

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 to or to the order of Buyer, and (b) deliver any 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: The last day of each March, June, September and December from (and including) 31 March 2011 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 2,000,000,000

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 Redemption Proceeds credited to the 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 Redemption Proceeds credited to the Custody Cash Account.

Reset Date First day of a Buyer Calculation Period

Floating Rate Option: JPY-LIBOR-BBA.

Designated Maturity: Three months, provided that the Designated Maturity in respect of the first Buyer Calculation Period, Linear Interpolation (as defined in the 2006 Definitions) shall be applicable.

Fixed Amount:

Fixed Rate JPY 2,000,000,000
Calculation Amount:

Fixed Rate: 0.34 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 Custody Account Interest Payment Date, Seller shall pay Buyer an amount equal to the 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 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 in accordance with the terms and conditions of such Charged Assets in effect as at the Trade Date.

Conditions to Settlement:	<p>Credit Event Notice</p> <p>Notifying Party: Buyer</p> <p>Notice of Publicly Available Information: Applicable</p> <p>Public Sources: As specified in Section 3.7.</p> <p>Specified Number: Two</p>
Credit Events:	<p>Bankruptcy</p> <p>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.</p> <p>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.</p>
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 Bonds 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 Bonds has decreased from the Trade Date to the Cash Settlement Date (or, if earlier, the date upon which the Bonds 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 Unwind Costs which the Buyer has not received or recovered in full (the "**Unpaid Unwind 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 Unwind 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:

- (a) less the Unwind Costs if Unwind Costs are deemed payable to Buyer; or
- (b) plus the Unwind Costs if Unwind Costs are 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 13 January 2011 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 or Condition 9); 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 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 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 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 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 Charged Assets (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, its obligations under the 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 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 the 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 the 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 the 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 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 JPY 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 Charged Assets and (b) all other debt of the issuer of the Charged Assets which rank in priority of payment on a *pari passu* basis with the 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).

“Unwind Costs” means an amount determined by the Calculation Agent in its sole and absolute discretion applying such commercially reasonable procedures as it deems appropriate, in accordance with the following provisions. The Calculation Agent shall calculate the market value of the Charged Agreement upon the early termination of the Charged Agreement (taking into account 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), plus any costs, fees, expenses and charges incurred by Buyer, Seller and the Trustee (without double-counting) in connection with the payment of the Bond Redemption Amount or with delivery of the Remaining Unrealised Charged Assets (as the case may be) including, without limitation any brokers’ commissions, documentation fees and expenses, any taxes and stamp duties, any funding costs and any legal or other ancillary costs incurred by Buyer or Seller as a consequence of such early termination.

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.

10. **Value of Early Termination:** If an Early Termination Date is designated or deemed to occur as a result of an Event of Default in relation to Buyer as the Defaulting Party, Buyer and Seller agree that for purposes of Section 6 of the Agreement the Market Quotation (as defined in the Agreement) of the Transaction represented by this Confirmation shall not be determined under Section 6 of the Agreement but rather shall be deemed to be equal to the amounts that would have been payable by Buyer to Seller under this Confirmation on the Scheduled Termination Date had the Scheduled Termination Date been the Early Termination Date and such an Early Termination Date had not been designated or deemed to occur.

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: XS0580431921

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 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

("Party A")

and

the Issuer

("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, <i>inter alia</i> , the Charged Agreement constituted by the Constituting Instrument relating to the Notes of the relevant Series and the Confirmation thereunder, or other evidence of due authorisation of a signatory hereto	At signing of the Constituting Instrument relating to the Notes	Yes

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).”.

REGISTERED OFFICE OF THE ISSUER

PO Box 1093, Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

ARRANGER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

TRUSTEE

BNY Corporate Trustee Services Limited
One Canada Square
London E14 5AL

ISSUE AGENT AND PRINCIPAL PAYING AGENT AND CUSTODIAN

The Bank of New York Mellon
One Canada Square
Canary Wharf
London E14 5AL

IRISH LISTING AGENT

The Bank of New York Mellon (Ireland) Limited
Hanover Building
Windmill Lane
Dublin 2, Ireland

LEGAL ADVISERS

*To the Arranger as to
English Law*

Simmons & Simmons
35th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

*To the Arranger as to
Japanese Law*

TMI Associates
23rd Floor
Roppongi Hills Mori Tower
6-10-1 Roppongi,
Minato-ku
Tokyo 106-6123
Japan

*To the Issuer as to
Cayman Islands law*

Maples and Calder
7 Princes Street
London EC2R 8AQ