

**PRICING SUPPLEMENT  
TRANCHE B**

**29 April 2005**

**VICTORIA PEAK INTERNATIONAL FINANCE LIMITED**

**PRICING SUPPLEMENT**

relating to  
Octave Notes Series 3

US Dollar Credit-Linked Secured Callable Variable Rate Notes due 2010  
("Tranche B Notes" and in this Pricing Supplement, the "Notes")

pursuant to its Retail Note Programme  
arranged by

**MORGAN STANLEY & CO. INTERNATIONAL LIMITED**

The terms of the Tranche B Notes are as follows:

- |    |                                   |   |
|----|-----------------------------------|---|
| 1. | Issuer:                           | Victoria Peak International Finance Limited                       |
| 2. | Relevant Subscriber/Lead Manager: | Morgan Stanley & Co. International Limited as Relevant Subscriber |
| 3. | (i) Series No:                    | 3   |
|    | (ii) Tranche:                     | B   |

**Terms of Series**

- |     |   |  |
|-----|---|--|
| 4.  | Relevant Currency (or Currencies in the case of Dual Currency Notes): | United States dollars ("US\$" or "USD")  |
| 5.  | Principal Amount:   | US\$7,360,000  |
| 6.  | Form of the Notes:  | Registered Global Certificate  |
| 7.  | Status:   | Secured and limited recourse obligations of the Issuer, secured as provided below            |
| 8.  | Denomination(s):  | US\$5,000 per Note   |
| 9.  | Issue Date:   | 29 April 2005  |
| 10. | Issue Price:  | 100 per cent. of the Principal Amount. Re-offered at 97.5 per cent. of the Principal Amount. |

11. Maturity Date: 29 October 2010, subject to redemption following notice of occurrence of a Company or Sovereign Credit Event, or occurrence of an Early Redemption Event as provided in the Conditions and paragraph 35 below.
12. Redemption Amount (including early redemption): Principal Amount of the Notes. If notice of the occurrence of a Company or Sovereign Credit Event is given to the Noteholders, the Company or Sovereign Credit Event Redemption Amount as adjusted in accordance with the definition of Company or Sovereign Credit Event Redemption Amount will be paid on the Company or Sovereign Credit Event Redemption Date (see Special Condition (B)(1) in Annex 1). If an Early Redemption Event has occurred, the Notes will be redeemed at the applicable Early Redemption Amount on the Early Redemption Date (see Special Condition (B)(2) in Annex 1).

### Early Redemption

13. Terms of redemption at the option of the Issuer or other Issuer's option (if applicable):
- (i) The Issuer has the right, but not the obligation, to redeem the Notes in whole (but not in part) on any Interest Payment Date falling on or after the first anniversary of the Issue Date (such right being the "**Issuer Call Option**"), by giving not less than five Business Days prior written notice to the Noteholders in accordance with the Conditions
- (ii) Upon the exercise of the Swap Counterparty Option (as defined in Annex 2) in respect of the Notes, the Issuer Call Option will be exercised in respect of the Notes by giving not less than five Business Days written notice to the Noteholders in accordance with the Conditions
14. Issuer's Option Period: From and including the Issue Date
15. Terms of redemption at the option of the Noteholders or other Noteholders' Option (if applicable): Not applicable
16. Noteholders' Option Period: Not applicable

### Interest

17. Interest Commencement Date (if different Issue Date from Issue Date):
18. Interest Basis: Floating Rate
19. Interest Payment Date(s): Quarterly in arrear on 29 January, 29 April, 29 July and 29 October in each year, commencing on 29 July 2005 up to and including the Maturity Date, subject to adjustment in accordance with the Following Business Day

Convention.

20. Interest Period Date(s) (if applicable): 29 January, 29 April, 29 July and 29 October on each year commencing on 29 July 2005

**Floating Rate**

21. Interest Rate:
- (i) For each Interest Accrual Period ending on 29 July 2005, 29 October 2005, 29 January 2006, 29 April 2006, 29 July 2006, 29 October 2006, 29 January 2007 and 29 April 2007, 8.25%.
  - (ii) For each Interest Accrual Period ending on 29 July 2007, 29 October 2007, 29 January 2008 and 29 April 2008,  $C_{i-1}$  plus 1.00% minus 3 month USD-LIBOR-in-Arrears, provided the Interest Rate for these Interest Accrual Periods shall not be less than 0.25%.
  - (iii) For each Interest Accrual Period ending on 29 July 2008, 29 October 2008, 29 January 2009 and 29 April 2009,  $C_{i-1}$  plus 2.00% minus 3 month USD-LIBOR-in-Arrears, provided the Interest Rate for these Interest Accrual Periods shall not be less than 0.25%.
  - (iv) For each Interest Accrual Period ending on 29 July 2009, 29 October 2009, 29 January 2010, 29 April 2010, 29 July 2010 and 29 October 2010,  $C_{i-1}$  plus 3.00% minus 3 month USD-LIBOR-in-Arrears, provided the Interest Rate for these Interest Accrual Periods shall not be less than 0.25%.

Where:

" $C_{i-1}$ " means, at the time the Interest Rate is being determined, the annualised coupon rate for the Interest Accrual Period immediately prior to the relevant Interest Accrual Period for which the Interest Rate is being determined.

"**3 month USD-LIBOR-in-Arrears**" means the rate for deposits in United States dollars for a 3 month period which appears on the Telerate Page 3750 as of 11:00 a.m. London time on the Interest Determination Date. If such rate does not appear on the Telerate Page 3750, the rate of 3 month USD-LIBOR-in-Arrears shall be determined by the Calculation Agent in its sole and absolute discretion by reference to quotations obtained for such rate on the relevant Interest Determination Date from four leading international banks, as selected by the Calculation Agent in

its sole and absolute discretion.

**If (1) notice is given by the Issuer of the occurrence of a Company or Sovereign Credit Event or, as the case may be, (2) an Early Redemption Event occurs, or (3) an Issuer's Event of Default occurs, interest in respect of the Notes will be treated as having ceased to accrue from and including the Interest Payment Date immediately preceding the date upon which notice is given of the occurrence of such Company or Sovereign Credit Event, the date of the occurrence of the Early Redemption Event or Issuer's Event of Default, as the case may be or, in each case, the Issue Date if such event occurs before the first Interest Payment Date.**

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|--|--|
| 22. Interest Determination Date (if applicable):   | The third London Business Day prior to the Interest Payment Date of that Interest Accrual Period   |
|  | "London Business Day" means a day on which commercial banks and foreign exchange markets are open for business in London.  |
| 23. Day Count Fraction:  | 30/360   |
| 24. Broken Amount:   | Not applicable   |
| <b>Fixed Rate</b>  | Not applicable   |
| <b>Zero Coupon</b>   | Not applicable   |
| <b>Other</b>   |  |
| 25. Redemption for Taxation Reasons permitted on days other than Interest Payment Dates: | Yes  |
| 26. Index/Formula (Indexed Note):  | Not applicable   |
| 27. Calculation Agent:   | JPMorgan Chase Bank, N.A. has been appointed as the Calculation Agent pursuant to the Agency Agreement dated 30 August 2004 as amended and restated on 29 March 2005 |
| 28. Dual Currency Note:  | Not applicable   |
| 29. Partly-Paid Note:  | Not applicable   |
| 30. Instalment Date(s) (if applicable):  | Not applicable   |
| 31. Instalment Amount(s) (if applicable):  | Not applicable   |
| 32. Unmatured Coupons to become void upon early redemption:                              | Not applicable   |

33. Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon (Bearer Notes): No
34. Business Day Jurisdictions for Condition 8(h) (jurisdictions required to be open for payment): Hong Kong, New York City and London
35. Mandatory Redemption/Credit Event/Other Specified Event: Condition 7(b) and Condition 7(c) shall be amended as set out in this paragraph 35.
- (i) Conditions 7(b), 7(c)(i) and 7(c)(ii) will be deleted;
- (ii) "Credit Event" in Condition 7(c)(iii) means a "Company or Sovereign Credit Event" as set out in Special Condition (B)(1) in Annex 1; and
- (iii) "Other specified event" in Condition 7(c)(iv) means an "Early Redemption Event" as set out in Special Condition (B)(2) in Annex 1
36. Variation: Not applicable
37. Details of any other additions or variations to the Conditions:
- (a) Condition 6(a) "Interest Rate and Accrual" shall be amended as set out in Special Condition (A) in Annex 1.
- (b) Condition 16 "Notices" shall be amended as set out in Special Condition (C) in Annex 1.
38. Mortgaged Property:
39. (a) Securities:
- For the purposes of the Notes and this Pricing Supplement, "Securities" shall have the same meaning as "Underlying Securities". "**Underlying Securities**" shall comprise of the Original Underlying Securities, the Reinvested Eligible Investments purchased and/or held by or on behalf of the Issuer from time to time and the proceeds of redemption in respect of the Original Underlying Securities and any Reinvested Eligible Investments.
- As at the Issue Date, the Underlying Securities will comprise US\$7,360,000 in principal amount of USD Class II Secured Floating Rate Notes due 20 March 2010, Series 2005-11, issued by Morgan Stanley ACES SPC, acting for the account of the Series 2005-11 Segregated Portfolio (ISIN: USG62615BR23) (the "**Original Underlying Securities**").
- In the event that any Underlying Securities are redeemed, in whole or in part, at their outstanding principal amount including any accrued interest in accordance with their terms for any reason whatsoever by the issuer(s) of such

Underlying Securities prior to the Maturity Date:

(a) the proceeds of redemption will be paid into the account of the Issuer with the Custodian (which may or may not be interest bearing). The Determination Agent, acting for and on behalf of the Issuer, may in its sole and absolute discretion reinvest the proceeds of redemption in Eligible Investments (as defined in Annex 2 to this Pricing Supplement). The Eligible Investments which are so acquired are referred to in this Pricing Supplement as “Reinvested Eligible Investments”.

(b) the Issuer will notify the Noteholders (via the clearing systems) in accordance with the Conditions of such redemption, and will notify the Noteholders (via the clearing systems) in accordance with the Conditions as soon as practicable after acquiring Reinvested Eligible Investments of details of such acquisition, including the issuer(s) and rating(s) (if applicable) of the Reinvested Eligible Investments.

(b) Security (order of priorities):

The Trustee shall apply all moneys received by it under the Trust Deed in connection with the realisation or enforcement of the security constituted by or pursuant to the Trust Deed in accordance with the following:

**Derivatives Counterparty Priority**

In accordance with the Supplemental Trust Deed, the Security for the Notes shall comprise all of the following:

- (i) a first fixed charge in favour of the Trustee over the Underlying Securities and all of the Issuer’s rights attaching to or relating to the Underlying Securities and all sums derived therefrom;
- (ii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer’s rights, title and interest against the Custodian, to the extent they relate to the Underlying Securities;
- (iii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer’s rights, title and interest under each of the Swap Agreement, the Swap Guarantee, the Forward Agreement and the Forward Guarantee, and any sums received thereunder;
- (iv) a first fixed charge in favour of the Trustee over
  - (a) all sums received under the Swap Agreement, the Swap Guarantee, the Forward Agreement and the Forward Guarantee; and
  - (b) any sums held by

the Principal Paying Agent and/or the Custodian and/or the Registrar to meet payments due in respect of the Notes; and

- (v) an assignment by way of first fixed charge in favour of the Trustee of the Issuer's rights, title and interest under the Agency Agreement in respect of the Notes and the Underlying Securities, including all sums derived therefrom in respect of the Notes and all rights against the Custodian with respect to the Underlying Securities, including without limitation all rights to the delivery of such Underlying Securities against the Custodian under the Agency Agreement or any applicable clearing system or the operator thereof or against any bank, broker or other intermediary and including all sums and other rights derived from such Underlying Securities.

The claims of the Trustee, the Custodian, the Principal Paying Agent, the Swap Counterparty and the Forward Counterparty against the Issuer shall rank prior to the claims of the Noteholders under the Notes in the application of all moneys received in connection with the realisation or enforcement of the Security. In realising the Security, in certain circumstances the Trustee is obliged to act in accordance with the directions of the Swap Counterparty (provided that sums are due to the Swap Counterparty) or the Forward Counterparty (provided that sums are due to the Forward Counterparty).

- (c) Underlying Agreement (if applicable): Not applicable
- (d) Derivatives Contract:
- (i) Swap Agreement (including the Credit Default Swap Transaction and the Asset Swap Transaction) and the Swap Guarantee: In connection with the issue of the Notes, the Issuer has entered into, amongst other things, an ISDA Master Agreement (the "**MSCS ISDA Master Agreement**") dated as of 30 September 2004 between the Issuer and the Swap Counterparty which MSCS ISDA Master Agreement benefits from a guarantee (the "**Swap Guarantee**") of the Swap Guarantor dated 30 September 2004. Under the MSCS ISDA Master Agreement the Issuer has executed certain confirmations thereto which incorporate the terms of the MSCS ISDA Master Agreement. The confirmations to the MSCS ISDA Master Agreement which relate to the Notes comprise a credit default swap transaction (the "**Credit Default Swap Transaction**") and an interest rate swap transaction (the

“**Asset Swap Transaction**”). The MSCS ISDA Master Agreement together with the confirmations thereto which relate to the Notes are together referred to herein as the “**Swap Agreement**”.

Pursuant to the terms of the Credit Default Swap Transaction the Issuer has agreed to sell credit protection to the Swap Counterparty in relation to the Company in a notional amount equal to the Principal Amount of the Notes for a certain protection premium (the “**Credit Default Swap Premium**”) and the Issuer has agreed that following the giving of notice of the occurrence of a Company or Sovereign Credit Event, it will pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay an amount equal to the Company or Sovereign Credit Event Redemption Amount (after certain adjustments have been made by the Swap Counterparty as described under the definition of Company or Sovereign Credit Event Redemption Amount set out in Annex 2 below).

Furthermore, in connection with the issue of the Notes the Issuer has entered into the Asset Swap Transaction in a notional amount equal to the Principal Amount of the Notes pursuant to which (A) the Issuer has agreed to pay to the Swap Counterparty (i) an amount equal to all distributions in respect of interest or income receivable by the Issuer in respect of the Underlying Securities and (ii) an amount equal to the product of the Credit Default Swap Premium and the Principal Amount of the Notes and (B) the Swap Counterparty has agreed to pay to the Issuer an amount equal to all amounts of interest due in respect of the Notes.

- (ii) Forward Agreement and the Forward Guarantee:

In connection with the issue of the Notes, the Issuer has also entered into, amongst other things, an ISDA Master Agreement (the “**MSIL ISDA Master Agreement**”) dated 29 April 2005 between the Issuer and the Forward Counterparty which MSIL ISDA Master Agreement benefits from a guarantee (the “**Forward Guarantee**”) of the Forward Guarantor dated 29 April 2005. Under the MSIL ISDA Master Agreement the Issuer has executed certain confirmations thereto which incorporate the terms of the MSIL ISDA Master Agreement. The confirmation to the MSIL ISDA Master Agreement which relates to the Notes comprises a contingent forward transaction. The MSIL ISDA Master Agreement together with the confirmation thereto which relates to the Notes are referred to herein as the “**Forward Agreement**”.

Pursuant to the terms of the contingent forward

transaction, if an Issuer Call Option is exercised in relation to the Notes, the Issuer will deliver to the Forward Counterparty the Underlying Securities in respect of the Notes, and the Forward Counterparty will pay to the Issuer a cash amount equal to the principal amount of such Underlying Securities.

Each of the Swap Agreement and the Forward Agreement may be terminated early, among other circumstances:

- (a) at the election of the non-defaulting party upon an Event of Default under the Swap Agreement or the Forward Agreement, as the case may be, including:
  - (i) the failure of the other party to pay any amount due and payable under the Swap Agreement or the Forward Agreement, as the case may be and such failure continues for one Business Day (as defined in the Swap Agreement or the Forward Agreement, as the case may be);
  - (ii) non-compliance by the Swap Guarantor or the Forward Guarantor with any of its obligations under the Swap Guarantee or the Forward Guarantee, as the case may be, or the ceasing of the Swap Guarantee or the Forward Agreement (as the case may be) to be in full force and effect;
  - (iii) the merger of either party or the Swap Guarantor or the Forward Guarantor, as the case may be, with another entity and such entity fails to assume all of the relevant party's obligations under the Swap Agreement or the Swap Guarantee, or the Forward Agreement or the Forward Guarantee, as the case may be; and
- (b) on the occurrence of certain Termination Events, including:
  - (i) it becoming illegal for either party to perform its obligations under the Swap Agreement or the Forward Agreement, as the case may be, or for the Swap Guarantor or Forward Guarantor to perform its obligations under the Swap Guarantee or the Forward Guarantee, as the case may be;
  - (ii) if (subject as provided in the Swap Agreement or the Forward Agreement, as the case may be) withholding taxes are imposed on payments made by the Issuer, the Swap Counterparty or the Forward Counterparty under the Swap Agreement

and/or the Forward Agreement, as the case may be, which is not avoided by a transfer by the Affected Party (as defined in the Swap Agreement or the Forward Agreement, as the case may be) of its rights and obligations on terms provided in the Swap Agreement or the Forward Agreement, as the case may be;

- (iii) when the Notes become repayable in whole prior to the Maturity Date (other than as a result of the occurrence of a Company or Sovereign Credit Event or as a result of the exercise of an Issuer Call Option or Swap Counterparty Option ); and
- (c) where a Company or Sovereign Credit Event has occurred, the Asset Swap Transaction and the Forward Agreement will terminate on the Company or Sovereign Event Determination Date; and
- (d) upon the exercise by the Issuer of the Issuer Call Option referred to in paragraph 13 above, or the exercise by the Swap Counterparty of a Swap Counterparty Option, the Asset Swap Transaction and the Credit Default Swap Transaction will terminate on the immediately following Interest Payment Date

Consequences of Early Termination:

Upon any such early termination of the Swap Agreement or the Forward Agreement (in whole or in part), as the case may be, the Notes will become repayable and the Issuer or the Swap Counterparty may (subject as set out below and provided, in the case of certain tax events that the Issuer may first be obliged to use all reasonable endeavours to transfer its obligations) be liable to make a termination payment to the other in respect of the Swap Agreement (regardless, if applicable, of which of such parties may have caused such termination).

Further, under the terms of the Swap Agreement and the Forward Agreement, termination payments will not be payable following termination as a result of the exercise by the Issuer of an Issuer Call Option, the exercise by the Swap Counterparty of a Swap Counterparty Option, or the occurrence of a Company or Sovereign Credit Event Determination Date.

Where such a termination payment is payable, it will be based on the total losses and costs and/or gains incurred in the termination of the Swap Agreement or the Forward Agreement, as the case may be, and the termination payment would typically take into account the market value of the terminated Swap Agreement or the Forward Agreement, as the case may be, based on market quotations of the cost of entering into a transaction with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties under the Swap Agreement or the Forward Agreement, as the case may be.

**Regardless of which party makes the determination of the termination payment (if any), there is no assurance that the proceeds from the sale of the Underlying Securities plus or minus, as the case may be, the amount payable by the Swap Counterparty/Forward Counterparty or the Issuer, as the case may be, due to the termination of the Swap Agreement or the Forward Agreement, as the case may be, will be sufficient to repay the principal amount due to be paid in respect of the Notes and any other amounts in respect thereof that are due.**

- (e) Derivatives Counterparty(ies): Morgan Stanley Capital Services Inc. (the “**Swap Counterparty**”) in respect of the Swap Agreement and Morgan Stanley & Co. International Limited (the “**Forward Counterparty**”) in respect of the Forward Agreement
- (iii) Morgan Stanley Exchange Option Not applicable
- (f) Contract (if applicable) Not applicable
- (g) Derivatives Guarantor (if applicable): Morgan Stanley acts in the capacity as (i) the swap guarantor (the “**Swap Guarantor**”) in relation to the Swap Counterparty’s obligations under the Swap Agreement; and (ii) the forward guarantor (the “**Forward Guarantor**”) in relation to the Forward Counterparty’s obligations under the Forward Agreement.
- (h) Details of Credit Support Document (if applicable): Not applicable
- (i) Credit Support Provider: Not applicable
- (j) Details of Stock Borrowing Agreement (if applicable): Not applicable

- (k) Stock Borrower: Not applicable
- (l) Specify any other Mortgaged Property: Not applicable
- (m) Custodian: JPMorgan Chase Bank, N.A. has been appointed as the Custodian pursuant to the Agency Agreement dated 30 August 2004 as amended and restated on 29 March 2005.
- (n) Entitlement to procure realisation of security: Counterparty B Direction, provided that references to "Derivatives Counterparty" for this purpose shall not include the Forward Counterparty.
40. Investment Management Agreement: Not applicable
41. Exchange: Global Note/Global Certificate exchangeable for Definitive Bearer/Registered Notes: Yes, but only in the limited circumstances set out in the Global Certificate
42. Details of any additions or variations to the Programme Agreement: The Issuer and Morgan Stanley & Co. International Limited entered into a Third Supplemental Programme Agreement (the "**Third Supplemental Programme Agreement**") dated the Issue Date pursuant to which Morgan Stanley & Co. International Limited was appointed as the Arranger in respect of the Notes.
43. Net Price payable to Issuer: US\$7,360,000
44. Common Code: 021838098
45. ISIN Code: XS0218380987
46. Registrar: JPMorgan Chase Bank, N.A.  
Trinity Tower  
9 Thomas More Street  
London E1W 1YT  
United Kingdom  
Fax: +44 1202 347601/7945  
Attention: The Manager, Issuer Services and Operations
47. Principal Paying Agent, Transfer Agent and Calculation Agent: JPMorgan Chase Bank, N.A.  
Trinity Tower  
9 Thomas More Street  
London E1W 1YT  
United Kingdom  
Fax: +44 1202 347601/7945  
Attention: The Manager, Issuer Services and Operations
48. Determination Agent: Morgan Stanley & Co. International Limited  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

Fax: +44 (0) 20 7677 7990  
Attention: Structured Credit Group

With copies to:

Morgan Stanley & Co. International Limited  
c/o Morgan Stanley Dean Witter Asia Limited  
30/F, Three Exchange Square, Central  
Hong Kong

Fax: +852 2848-5986  
Attention: Structured Credit Group

and

Morgan Stanley & Co. International Limited  
c/o Morgan Stanley Japan Limited  
Yebisu Garden Place Tower  
4-20-3 Ebisu, Shibuya-ku,  
Tokyo 150-6008, Japan

Fax: +81 3 5424 7894  
Attention: Structured Credit Group

49. Market Agent:

Morgan Stanley & Co. International Limited  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom  
Fax: +44 (0) 20 7677 7990  
Attention: Structured Credit Group

With copies to:

Morgan Stanley & Co. International Limited  
c/o Morgan Stanley Dean Witter Asia Limited  
30/F, Three Exchange Square, Central  
Hong Kong

Fax: +852 2848-5986  
Attention: Structured Credit Group

and

Morgan Stanley & Co. International Limited  
c/o Morgan Stanley Japan Limited  
Yebisu Garden Place Tower  
4-20-3 Ebisu, Shibuya-ku,  
Tokyo 150-6008, Japan

Fax: +81 3 5424 7894  
Attention: Structured Credit Group

**ANNEX 1**  
**SPECIAL CONDITIONS**

*The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.*

(A) *Interest Rate and Accrual*

The following sentence shall be added to the first paragraph of Condition 6(a) “Interest Rate and Accrual”:

“If (i) a Company or Sovereign Credit Event occurs, upon receipt by the Issuer of a Company or Sovereign Credit Event Notice and a Notice of Publicly Available Information confirming the occurrence of a Company or Sovereign Credit Event, or (ii) an Early Redemption Event occurs, or (iii) an Issuer's Event of Default occurs, interest in respect of the Notes will be treated as having ceased to accrue from and including the Interest Payment Date falling on or immediately prior to the date upon which notice is given to the Noteholders of the occurrence of such Company or Sovereign Credit Event, or the date on which the Early Redemption Event or the Issuer's Event of Default occurs, as the case may be or, in each case, the Issue Date if such event occurs before the first Interest Payment Date.”

(B) *Redemption for Taxation and Other Reasons*

**(1) Redemption following a Company or Sovereign Credit Event**

A “Credit Event” in Condition 7(c)(iii) means a “Company or Sovereign Credit Event”.

*Definition of Company or Sovereign Credit Event*

“**Company or Sovereign Credit Event**” means the Determination Agent in its sole and absolute discretion acting in good faith having the right (but not the obligation) to declare the occurrence of a Company or Sovereign Credit Event upon the occurrence of one or more of the following events or conditions with respect to:

(1) a Company or Obligations of a Company, which event or condition occurs on or after the Issue Date:

- (i) Bankruptcy;
- (ii) Failure to Pay;
- (iii) Restructuring; or

(2) the Sovereign Entity or Obligations of the Sovereign Entity, which event or condition occurs on or after the Issue Date:

- (i) Failure to Pay;
- (ii) Restructuring;
- (iii) Repudiation/Moratorium.

If an occurrence would otherwise constitute a Company or Sovereign Credit Event, such occurrence will constitute a Company or Sovereign Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (a) any lack or alleged lack of authority or capacity of the Company or, as the case may be, the Sovereign Entity to enter into any Obligation, or as applicable, an Underlying Obligor to enter

into any Underlying Obligation, (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation however described, (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

*Occurrence of a Company or Sovereign Credit Event*

Upon the occurrence of a Company or Sovereign Credit Event:

- (i) the Determination Agent shall be entitled to deliver to the Issuer during the Notice Delivery Period a Company or Sovereign Credit Event Notice and a Notice of Publicly Available Information;
- (ii) the Issuer shall have the right to notify the Trustee, the Principal Paying Agent, the Custodian, the Swap Counterparty, the Forward Counterparty and the Noteholders via Euroclear or Clearstream International of the relevant Company or Sovereign Credit Event (including reasonable details of the Publicly Available Information confirming such Company or Sovereign Credit Event) promptly after the Company or Sovereign Credit Event Determination Date;
- (iii) the Notes shall cease to bear interest and no further payment will be made in respect of interest accrued from the preceding Interest Payment Date (or if no interest payment has yet been paid, since the Issue Date);
- (iv) the Deliverable Obligations shall be identified by the Swap Counterparty (in its sole and absolute discretion) with an Initial Principal Amount equal to the Principal Amount of the Notes;
- (v) the Issuer will pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay to the Issuer the Company or Sovereign Credit Event Redemption Amount (after making certain adjustments as described under the definition of Company or Sovereign Credit Event Redemption Amount below) to enable the Issuer to meet its obligations under the Notes; and
- (vi) the Issuer will redeem each Note by payment of the Company or Sovereign Credit Event Redemption Amount attributable on a pro-rata basis to one Note on the Company or Sovereign Credit Event Redemption Date.

The Company or Sovereign Credit Event Notice setting out the occurrence of a Company or Sovereign Credit Event will include a brief description of the relevant event and the Public Source of such information, and an explanation of how it fits the definition of a Company or Sovereign Credit Event.

(2) **Redemption following an Early Redemption Event**

“Other specified event” in Condition 7(c)(iv) means an “Early Redemption Event”.

*Definition of Early Redemption Event*

The Notes will be subject to early redemption at the relevant Early Redemption Amount following the occurrence of any of the following events (each an “**Early Redemption Event**”):

(i) *An Underlying Securities Default Event*

If there has been a payment default in respect of the Underlying Securities (without regard to any grace period applicable with respect to such payments), or if the outstanding principal amount of the Underlying Securities is reduced or otherwise written down in accordance with their terms or if the Underlying Securities are redeemed early or otherwise becomes repayable early in whole or in part by the issuer(s) of the Underlying Securities prior to their scheduled dates of maturity for any reason whatsoever at a principal amount less than the outstanding principal amount the subject of such redemption or repayment (each an “**Underlying Securities Default Event**”), the Notes will be redeemed at the Early Redemption Amount specified below.

The “**Early Redemption Amount**” means for the purpose of this Condition (7)(c)(iv)(i) an amount equal to Mandatory Redemption Liquidation Proceeds of the Underlying Securities and/or amounts received as a direct result of the reduction or writedown in the principal amount of and/or any proceeds received and/or redemption proceeds in respect of the Underlying Securities on or prior to the Early Redemption Date plus or minus (as the case may be) the Swap Settlement Amount payable by the Swap Counterparty and/or the Forward Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement or the Forward Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(ii) *A Tax Event*

If:

- (A) the Issuer on the occasion of the next payment due in respect of the Notes would be required by law to withhold or account for tax or would suffer tax in respect of its income (including but not limited to its income in respect of the Underlying Securities) or payments made to it under the Swap Agreement and/or the Forward Agreement or would receive net of tax any payments in respect of the Underlying Securities or payments made to it under the Swap Agreement and/or the Forward Agreement so that it would be unable to make payment of the full amount due on the Notes (and it is unable to arrange for the substitution of a company incorporated in another jurisdiction which would not impose such requirement as the principal obligor in respect of the Notes);  
or

- (B) or any exchange controls or other currency exchange or transfer restrictions are imposed on the Issuer or any payments to be made to or by the Issuer or for any reason the cost to the Issuer of complying with its obligations under or in connection with the Notes or the Trust Deed would (in the sole opinion of the Issuer) be materially increased, the Trustee having required the Issuer to use its best endeavours to procure the substitution of a company incorporated in another jurisdiction (in which jurisdiction the relevant tax, exchange control or currency exchange or transfer restrictions does not apply) approved in writing by the Trustee as the principal obligor in respect of the Notes, or the establishment of a branch office in another jurisdiction (in which jurisdiction the relevant exchange control, or currency exchange or transfer restrictions does not apply) approved in writing by the Trustee (in each case subject to the satisfaction of certain conditions as more fully specified in the Trust Deed) from which it may continue to carry out its functions under the Notes and the Swap Agreement, and the Issuer, having used its best endeavours is unable to arrange the substitution of a company incorporated in another jurisdiction in which the relevant exchange control or currency exchange or transfer restrictions do not apply before the next payment is due in respect of the Notes

(where each of (A) and (B) is a “**Tax Event**”), the Notes will be redeemed at the Early Redemption Amount specified below.

Prior to publication of any notice of redemption in respect of the circumstance set out in this sub-paragraph (ii), the Issuer shall deliver to the Trustee a certificate signed by a director of the Issuer demonstrating that the conditions precedent to the obligations of the Issuer to redeem have occurred and, in the case of a redemption of Notes under (A) above an opinion to the Issuer (in form and substance satisfactory to the Trustee) of legal advisers of recognised standing (previously approved by the Trustee) in the relevant jurisdiction to the effect that the Issuer has or will become obliged to withhold, account for or suffer such tax. The Trustee may rely on the aforementioned certificate and/or opinion without further enquiry.

The Early Redemption Amount following a Tax Event shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty and/or the Forward Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement or the Forward Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(iii) *Termination of the Swap Agreement or the Forward Agreement*

If any of the Swap Agreement or Forward Agreement is terminated in whole or in part for any reason (other than as a result of the exercise by the Swap Counterparty of one or more Swap Counterparty Options or the giving of notice of the occurrence of a Company or Sovereign Credit Event to the Noteholders or following the exercise by the Issuer of one or more Issuer Call Options) and the Swap Agreement or the Forward Agreement, as the case may be, (or the relevant part, as applicable) is not replaced on or

prior to such termination, the Notes will be redeemed at the Early Redemption Amount specified below.

The Early Redemption Amount following termination of the Swap Agreement or the Forward Agreement shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities in a principal amount equal to the Principal Amount of the Notes, plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty and/or the Forward Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement or the Forward Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(iv) *A Restructuring of Underlying Securities Event*

If the terms and conditions of the Underlying Securities are amended such that the issuer(s) of the Underlying Securities shall no longer be obliged to pay the same amounts on the same days as contemplated in the terms and conditions of the Underlying Securities as of the date purchased by or on behalf of the Issuer (a “**Restructuring of Underlying Securities Event**”), the Notes will be redeemed at the Early Redemption Amount specified below.

The Early Redemption Amount following a Restructuring of Underlying Securities Event shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty and/or the Forward Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement or the Forward Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

Upon the occurrence of an Early Redemption Event:

- (i) the Determination Agent shall give prompt notice thereof to the Issuer, the Custodian, the Swap Counterparty, the Forward Counterparty and the Trustee (the “**Underlying Securities Event Notice**”) and the Issuer shall notify the Trustee and the Noteholders via Euroclear and/or Clearstream International of the relevant Early Redemption Event promptly after receipt of the Underlying Securities Event Notice. The Determination Agent shall thereafter acting in good faith in its sole discretion proceed, where appropriate, to arrange for and administer the sale of the Underlying Securities as agent of the Issuer by seeking, to the extent reasonably practicable, firm bid quotes on the day (the “**Underlying Securities Sale Date**”) being 10 Business Days following the day on which the Underlying Securities Event Notice is delivered as aforesaid from five market makers (which market makers will not be affiliated with each other and may include Morgan Stanley & Co. International Limited or any of its Affiliates) in the Underlying Securities and selling the Underlying Securities to the highest bidder. If, on the Underlying Securities Sale Date, the Determination Agent has not received a firm bid quotation in respect of the Underlying Securities then on the next Business Day (and, if necessary, on each Business Day thereafter for up to a total of 10 Business Days) the Determination Agent shall attempt to obtain firm bid quotes, as aforesaid,

for the Underlying Securities and sell the Underlying Securities to the highest bidder (if any) on that day. If no quote is received on or prior to that 10th Business Day, the sale price thereof shall be deemed to be nil. Notwithstanding the foregoing, the Underlying Securities may only be sold to Morgan Stanley & Co. International Limited or any of its Affiliates as the highest bidder if a bid was also received in respect of the Underlying Securities from a party not affiliated to Morgan Stanley & Co. International Limited or one of its Affiliates;

- (ii) upon receipt of the sale proceeds of the Underlying Securities (or determination that the sale price is zero), the Issuer shall apply the net sale proceeds (if any) thereof (having deducted all costs, expenses and disbursements in connection with such sale) together with the termination payment (if any) payable to the Issuer under the Swap Agreement and/or the Forward Agreement to redeem the Notes by payment of the applicable Early Redemption Amount (as described below) on or prior to the 10th Business Day after receipt of such sale proceeds (or determination that the sale price is zero) and the termination payment (if any) (the “**Early Redemption Date**”); and
- (iii) the Notes so redeemed shall cease to bear interest and no further payment will be made in respect of interest accrued from the preceding Interest Payment Date (or if no interest has yet been paid, since the Issue Date).

Upon the occurrence of an Early Redemption Event, the relevant Early Redemption Amount will be paid to the Noteholders *pro rata* to their holdings of Notes. Following application of such net sale proceeds together with the termination payment (if any) under the Swap Agreement and/or the Forward Agreement, no further amounts will be available to meet any remaining claims of the Noteholders and any such claims will be extinguished.

- (C) Condition 16 “Notices” shall be amended as follows:

The following paragraph shall be added to the last paragraph of Condition 16:

“So long as the Notes are represented by a Global Certificate which is registered in the name of a nominee for the common depository for Euroclear, Clearstream International and/or any other clearing system, notices required to be given to Noteholders may be given by their being delivered to the relevant clearing system for communication by it to entitled accountholders.”

## ANNEX 2 DEFINITIONS

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

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

“**Asset-Backed Security**” means: (a) a debt security where the holders of such debt security are (i) entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend, amongst others, on the cash flow from a financial asset or a pool of financial assets, whether fixed, revolving or managed; or (ii) entitled to receive payments of interest and/or repayment of principal that are linked, directly or indirectly, to the credit worthiness of one or more obligors and/or value and/or price performance and/or cash flows of a financial asset or a pool of financial assets, whether fixed, revolving or managed (and whether or not such entitlement is also linked to other matters), and, in each case, that by its terms may pay an amount in cash to its holder within a finite time period, and/or with such other rights or assets designed to assure the servicing or timely distribution of proceeds to holders of the asset-backed securities; and (b) any other debt security which S&P and/or Moody’s categorises as an asset-backed security.

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

“**Bankruptcy**” means in respect of a Company that the Company (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator,

provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter or; (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

“**Best Available Information**” means the unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Determination Agent makes its determination for the purposes of the definition of “Successor”, other relevant information that is contained in any written communication provided by the Company to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required. Information which is made available more than fourteen calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

“**Bond**” means Borrowed Money that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certified debt security or other debt security and shall not include any other type of Borrowed Money.

“**Borrowed Money**” means, any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

“**CDO Squared Security**” means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the credit worthiness of the underlying reference entities (constituting the portfolio of credit risks of each Synthetic CDO Security which is named as a reference obligation under such debt security) and/or the obligors, financial asset or pool of financial assets in respect of each Asset-Backed Security which is named as a reference obligation under such debt security.

“**Certificate of Deposit**” means a negotiable bearer instrument evidencing a time deposit with a commercial bank.

“**Commercial Paper**” means a short term secured or unsecured promise to repay a debt on a certain future date.

“**Company**” means each of:

- (a) Citigroup Inc. and its Successors (“**Citigroup**”);
- (b) Standard Chartered Bank and its Successors (“**SCB**”);
- (c) Hutchison Whampoa Limited and its Successors (“**Hutchison**”);

(d) HSBC Bank PLC and its Successors (“**HSBC**”)

(each a “**Company**” and collectively, the “**Companies**”).

For the avoidance of doubt, if following a Succession Event there is more than one Successor, the occurrence of a Company or Sovereign Credit Event in respect of any one Successor or the Obligations of any one Successor shall constitute a Company or Sovereign Credit Event for all purposes and in respect of the outstanding Principal Amount of the Notes.

“**Company or Sovereign Credit Event Determination Date**” means any date on which the Determination Agent gives notice that in its sole and absolute discretion acting in good faith that a Company or Sovereign Credit Event has occurred.

“**Company or Sovereign Credit Event Notice**” means the notice of the occurrence of a Company or Sovereign Credit Event in respect of one or more of the Companies and/or the Sovereign Entity which is provided to, amongst others, the Noteholders.

“**Company or Sovereign Credit Event Redemption Amount**” shall be an amount equal to the market value of Deliverable Obligations with an Initial Principal Amount equal to the Principal Amount of the Notes on the Valuation Date offered by the five Dealers selected by the Determination Agent (which Dealers will not be affiliated to each other and may include Morgan Stanley & Co. International Limited or any of its Affiliates), less the costs and expenses, as determined by the Swap Counterparty, of effecting the relevant market valuation and/or sale.

The Company or Sovereign Credit Event Redemption Amount shall be adjusted:

(A) by adding any Swap Settlement Amount due to the Issuer from the Swap Counterparty, or, as the case may be, by deducting any Swap Settlement Amount due from the Issuer to the Swap Counterparty; and

(B) to reflect the market value following the sale of the Underlying Securities as determined by the Determination Agent in its sole and absolute discretion on or prior to the Company or Sovereign Credit Event Redemption Date. If the market value of the Underlying Securities is less than 100% of the par amount of the Underlying Securities, an amount (a “**Collateral Depreciation Amount**”) equal to the difference between 100% of the par amount and such market value will be due from the Issuer to the Swap Counterparty. If the market value following the sale of the Underlying Securities is greater than 100% of the par amount of the Underlying Securities, an amount (a “**Collateral Appreciation Amount**”) equal to the amount by which such market value is greater than 100% of the par amount will be due from the Swap Counterparty to the Issuer.

“**Company or Sovereign Credit Event Redemption Date**” means the day which is 2 Business Days after the Valuation Date.

“**Consent Required Loan**” means a Loan that is capable of being assigned or novated with the consent of the Early Redemption Credit Event Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if an Early Redemption Credit Event Entity is guaranteeing such Loan) or any agent.

“**Convertible Obligation**” means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar

agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

“**Dealers**” means dealers in Bonds or Loans of the Company or, as the case may be, the Sovereign Entity for which quotations on the market value of the Bonds or Loans are to be obtained or dealers in the Underlying Securities.

“**Deliverable Obligations Characteristics**” means:

(1) in respect of any Asian Entity or the Sovereign Entity any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Law, Not Contingent, Not Domestic Issuance, Assignable Loan, Transferable, Maximum Maturity and Not Bearer;

(2) in respect of any North American Entity or any European Entity one or more of Not Subordinated, Specified Currency, Not Contingent, Assignable Loan, Consent Required Loan, Transferable, Maximum Maturity and Not Bearer.

“**Deliverable Obligations**” means, subject to the application, if relevant, of the Restructuring Maturity Limitation and Fully Transferable Obligation Provisions and the Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Provisions below:

(a) any obligation of the Early Redemption Credit Event Entity (either directly or in respect of any European Entity, Asian Entity or the Sovereign Entity as provider of any Qualifying Guarantee or in respect of any North American Entity as provider of a Qualifying Affiliate Guarantee) determined pursuant to the Method For Determining Deliverable Obligations that (i) is payable in an amount equal to its outstanding principal balance excluding any accrued interest, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a)-(d) of the definition of Company or Sovereign Credit Event) or right of set off by or of the Early Redemption Credit Event Entity or any applicable Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Early Redemption Credit Event Entity for an amount at least equal to the outstanding principal balance excluding any accrued interest being valued apart from the giving of any notice of nonpayment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

(b) subject to the second paragraph of the definition of Not Contingent, each Reference Obligation applicable to such Early Redemption Credit Event Entity; and

(c) solely in relation to a Restructuring Credit Event applicable to the Sovereign Entity, any Sovereign Restructured Deliverable Obligation that (i) is payable in amount equal to its outstanding principal balance excluding any accrued interest, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a)-(d) of the definition of Company or Sovereign Credit Event) or right of set off by or of the Sovereign Entity or, as applicable, as Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Sovereign Entity for an amount at least equal to the outstanding principal balance excluding any accrued

interest being valued apart from the giving of any notice of nonpayment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement.

**“Domestic Currency”** means the lawful currency and any successor currency of the jurisdiction in which the Company, or, as the case may be, the Sovereign Entity is organised. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

**“Downstream Affiliate”** means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 percent. owned, directly or indirectly, by a Company or, as the case may be, the Sovereign Entity.

**“Early Redemption Credit Event Entity”** means the Company or, as the case may be, the Sovereign Entity specified in the Company or Sovereign Credit Event Notice and selected by the Determination Agent as the Early Redemption Credit Event Entity.

**“Eligible Investments”** means any of the following as determined by the Determination Agent, acting for and on behalf of the Issuer, at its sole and absolute discretion:

- (i) cash in the form of United States dollars held in a deposit account with a third party bank (which may or may not be interest bearing); and/or
- (ii) any United States dollar denominated securities rated “Aaa” by Moody’s or “AAA” by Standard & Poor’s that have a scheduled maturity date falling on or prior to the Maturity Date of the Notes, which may include Asset-Backed Securities, CDO Squared Securities and Synthetic CDO Securities (defined below) and which is not subject to any negative CreditWatch of S&P or on review for possible downgrade on Moody’s Watchlist at the time of its acquisition; and/or
- (iii) any United States dollar denominated Commercial Paper or Certificate of Deposit rated at least “P-1” by Moody’s and/or “A-1” by Standard & Poor’s or issued by an entity rated at least “P-1” by Moody’s and/or “A-1” by Standard & Poor’s and have a scheduled maturity date falling on or prior to the Maturity Date of the Notes and which is not subject to any negative CreditWatch of S&P or on review for possible downgrade on Moody’s Watchlist at the time of its acquisition.

**“Equity Securities”** means:

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

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

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

**“Failure to Pay”** means in respect of a Company or the Sovereign Entity, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Company or, as the case may be, the Sovereign Entity to make, when and where due, any payments in an aggregate amount of not less than US\$1,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated), as of the occurrence of the relevant Failure to Pay, under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

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

**“Grace Period”** means the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred. Any Obligation with no grace period specified or a grace period of less than 3 Grace Period Business Days shall be deemed to have a grace period of 3 Grace Period Business Days provided that the deemed Grace Period shall expire no later than the second Business Day prior to the Maturity Date.

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

**“Initial Principal Amount”** means a principal or nominal amount of Deliverable Obligations identified by the Swap Counterparty after the Company or Sovereign Credit Event Determination Date equal to the Principal Amount of the Notes outstanding on the Company or Sovereign Credit Event Determination Date.

**“Issuer's Event of Default”** means the occurrence of an event whereby the Trustee has given notice to the Issuer that the Notes are, and they have accordingly forthwith become, immediately due and repayable at their principal amount following the occurrence of an Event of Default.

**“Liquidation Proceeds”** means, following a Company or Sovereign Credit Event, the US dollar amount realizable upon the sale of the Underlying Securities, at the highest clean firm bid price obtained by the Swap Counterparty upon the solicitation of five Dealers selected by the Determination Agent (which Dealers will not be affiliated to each other and may include Morgan Stanley & Co. International Limited or any of its Affiliates), less the costs and expenses, as determined by the Determination Agent, of effecting the relevant market valuation and/or sale on the day which is three Business Days after the Company or Sovereign Credit Event Determination

Date.

“**Loan**” means any Borrowed Money that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money obligation.

“**Mandatory Redemption Liquidation Proceeds**” means, following an Early Redemption Event, the US dollar amount realisable upon the sale of the Underlying Securities, at the highest clean firm bid price, obtained by the Determination Agent on the relevant day on which the Underlying Securities have been sold or realised upon solicitation of five Dealers selected by the Determination Agent (which Dealers will not be affiliated to each other and may include the Arranger or any of its Affiliates) less the costs and expenses, as determined by the Determination Agent, of effecting the sale.

“**Maximum Maturity**” means an obligation that has a remaining maturity from the Company or Sovereign Credit Event Redemption Date of not greater than 30 years.

“**Method for Determining Deliverable Obligations**” means any Bond or Loan of the Early Redemption Credit Event Facility having as at the Valuation Date each of the Deliverable Obligation Characteristics specified to apply to that Company, or as the case may be, the Sovereign Entity in the definition of "Deliverable Obligation Characteristics" as at the Valuation Date.

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

“**Not Contingent**” means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligation that are not Borrowed Money, an outstanding principal balance excluding any accrued interest, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or nonoccurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Deliverable Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date.

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

“**Not Domestic Currency**” means any obligation that is payable in any currency other than the Domestic Currency.

“**Not Domestic Issuance**” means any obligation other than an obligation that was, at the

time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the Company or, as the case may be, the Sovereign Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Company or, as the case may be, the Sovereign Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Company or, as the case may be, the Sovereign Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Company or, as the case may be, the Sovereign Entity.

“**Not Domestic Law**” means any obligation that is not governed by the laws of the jurisdiction of organization of the Company or, as the case may be, the Sovereign Entity in part of Payment.

“**Not Sovereign Lender**” means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as “Paris Club debt”;

“**Not Subordinated**” means an obligation that is not Subordinated to any unsubordinated Borrowed Money obligations of the Company or, as the case may be, the Sovereign Entity in part of Payment.

“**Notice Delivery Period**” means the period from and including the Issue Date to and including the second Business Day prior to the Maturity Date.

“**Obligation**” means: (1) in respect of any Asian Entity and the Sovereign Entity, an obligation of such entity which is a Bond or Loan (either directly or as provider of a Qualifying Guarantee, and having each of the Obligation Characteristics specified in the definition of “Obligation Characteristics”); and (2) in respect of any North American Entity or any European Entity any obligation of such entity which is Borrowed Money (either directly or as provider in respect of such North American Entity of a Qualifying Affiliate Guarantee and in respect of such European Entity as provider of a Qualifying Guarantee), and having each of the Obligation Characteristics specified in the definition of “Obligation Characteristics”; and (3) in respect of each Company or, as the case may be, the Sovereign Entity each obligation of such entity which is specified or determined to be a Reference Obligation of such entity.

“**Obligation Characteristics**” means in respect of any Asian Entity and the Sovereign Entity, any one or more of Not Subordinated, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law and Not Domestic Issuance, and in respect of all other entities, no Obligation Characteristics shall apply.

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

“**Public Source**” means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times,

Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and the Australian Financial Review (and successor publications), the main source(s) of business news in respect of the Sovereign Entity, in the Sovereign Entity or, in respect of a Company in the country in which the Company is organised and any other internationally recognised published or electronically displayed news sources.

**“Publicly Available Information”** means (a) information that reasonably confirms any of the facts relevant to the determination that the Company or Sovereign Credit Event has occurred and which (i) has been published in or on not less than the number of Public Sources specified in the Swap Agreement (as defined herein) (or, if a number is not so specified, two), regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if any of the Swap Counterparty or its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless any of the Swap Counterparty or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (A) a Company the subject of the Company or Sovereign Credit Event or a Sovereign Agency in respect of the Sovereign Entity, or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) in the definition of “Bankruptcy” above against or by the Company or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

(b) In relation to any information of the type described in paragraphs (a)(ii), (iii), and (iv) above, the party receiving such information may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Company or any Affiliate of the Company or, as the case may be, the Sovereign Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

(c) Publicly Available Information need not state that such occurrence (A) has met the requirement of being an aggregate amount of not less than US\$1,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated) in the case of a “Failure to Pay” or US\$10,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated) in the case of a “Restructuring”, (B) is the result of exceeding any applicable Grace Period or (C) has met the subjective criteria specified in certain Company or Sovereign Credit Events.

**“Qualifying Affiliate Guarantee”** means a Qualifying Guarantee provided by a Company or, as the case may be, the Sovereign Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Company or, as the case may be, the Sovereign Entity.

**“Qualifying Guarantee”** means an arrangement evidenced by a written instrument pursuant to which the Company or, as the case may be, the Sovereign Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **“Underlying Obligation”**) for which another party is the obligor (the **“Underlying Obligor”**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement; or (ii) pursuant to the terms of which the payment obligations of the Company or, as the case may

be, the Sovereign Agent, can be discharged, reduced, assigned or otherwise altered (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being delivered together with the Delivery of the Underlying Obligation.

“**Reference Obligation**” means, in respect of:

- (a) Citigroup, Citigroup Inc. 6.00% notes due 21 February 2012 (ISIN: US172967BJ97);
- (b) SCB, Standard Chartered Bank 5.375% subordinated notes due 6 May 2009 (ISIN: XS0097105661);
- (c) Hutchison, Hutchison Whampoa International Limited 6.25% notes guaranteed by Hutchison Whampoa Limited due 24 January 2014 (ISIN: USG4672CAB12);
- (d) HSBC, HSBC Bank PLC 4.25% subordinated notes due 18 March 2016 (ISIN: XS0164883992); and
- (e) The People’s Republic of China, People’s Republic of China 4.75% notes due 29 October 2013 (ISIN: US712219AJ30).

In the event that any of the Reference Obligations:

- (i) is redeemed in full; or
- (ii) is, in the opinion of the Determination Agent, materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments); or
- (iii) is no longer an obligation of the relevant Company or Sovereign Entity; or
- (iv) is an Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Company or Sovereign Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms,

a substitute Reference Obligation will be identified by the Determination Agent, acting for and on behalf of the Issuer. In practice, the substitute Reference Obligation will be the same as that selected by the calculation agent under the Credit Default Swap Transactions under the Swap Agreement.

“**Relevant Obligation**” means the Obligation constituting any Bond or Loan of the Company or, as the case may be, the Sovereign Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Company or, as the case may be, the Sovereign Entity and any of its Affiliates, as determined by the Determination Agent. The Determination Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the

legally effective date of the Succession Event, whether or not this is in fact the case.

**“Repudiation/Moratorium”** means in respect of the Sovereign Entity, the occurrence of both of the following events: (i) an authorised officer of the Sovereign Entity or a Governmental Authority (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD10,000,000 (or its equivalent in the relevant currency or currencies in which the Obligation is denominated) or (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than USD10,000,000 (or its equivalent in the relevant currency or currencies in which the Obligation is denominated) and (ii) a Failure to Pay, determined without regard to the Failure to Pay Threshold (or its equivalent in the relevant currency or currencies in which the Obligation is denominated), or a Restructuring, determined without regard to the Restructuring Threshold (or its equivalent in the relevant currency or currencies in which the Obligation is denominated), with respect to any such Obligation occurs on or prior to the day which is two Business Days prior to the Maturity Date.

**“Restructuring”** means in respect of a Company or the Sovereign Entity that:

(a) with respect to one or more Obligations and in relation to an aggregate amount of not less than USD10,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated), any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Company or, as the case may be, the Sovereign Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Company or, as the case may be, the Sovereign Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred:

(i) reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;

(ii) reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(iii) postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(iv) change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or

(v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

(b) Notwithstanding the provisions of paragraph (a) above, none of the following shall constitute a Restructuring:

(i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

(ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

(iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Company or, as the case may be, the Sovereign Entity.

(c) For the purposes of paragraphs (a) and (b) above, the term “Obligation” shall be deemed to include Underlying Obligations in respect of any North American Entity for which such Company is acting as provider of a Qualifying Affiliate Guarantee and for any European Entity and any Asian Entity or, as the case may be, the Sovereign Entity, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to a Company which is a European Entity or an Asian Entity or, as the case may be, to the Sovereign Entity in paragraph (a) of this definition shall be deemed to refer to the Underlying Obligor and the reference to a Company which is a European Entity or an Asian Entity or, as the case may be, to the Sovereign Entity in paragraph (b) of this definition shall continue to refer to such Company or, as the case may be, to the Sovereign Entity.

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

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

“**Sovereign Entity**” means The People’s Republic of China and its Successors.

“**Sovereign Restructured Deliverable Obligation**” means in respect of the Sovereign Entity an Obligation of the Sovereign Entity (a) in respect of which a Restructuring that is the subject of the relevant Company or Sovereign Credit Event Notice has occurred and (b) is a Bond or Loan, and, subject to subsection (b) under the paragraph below headed “Interpretation of Provisions” of this Annex 2 “Definitions”, having each of the Deliverable Obligation Characteristics specified to apply in the definition of Deliverable Obligation Characteristics in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

“**Specified Currency**” meaning an obligation that is payable in any of the lawful currencies of Canada, Japan, Switzerland, Hong Kong, Singapore, United Kingdom and the United States of America and the euro (and any successor currency to any of the aforementioned currencies, which currencies may be referred to collectively as the “**Specified Currencies**”).

“**Subordination**” means, with respect to an obligation (the “**Subordinated Obligation**”) and another obligation of the Company or, as the case may be, the Sovereign Entity to which such obligation is being compared (the “**Senior Obligation**”), a contractual, trust or similar arrangement providing that:

- (i) upon the liquidation, dissolution, reorganisation or winding up of the Company or, as the case may be, the Sovereign Entity (as applicable), claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation; or
- (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Company or, as the case may be, the Sovereign Entity at any time that the Company or, as the case may be, the Sovereign Entity is in payment arrears or is otherwise in default under the Senior Obligation. “Subordinated” will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account in respect of the Sovereign Entity.

“**Succession Event**” means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, “**Succession Event**” shall not include an event in which the holders of obligations of the Company or, as the case may be, the Sovereign Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.

“**Successor**” in respect of the Sovereign Entity means any direct or indirect successor(s) to the Sovereign Entity irrespective of whether such successor(s) assume(s) any obligations of the Sovereign Entity.

“**Successor**” means in relation to a Company, the entity or entities, if any, determined as set forth below:

(a) If an entity directly or indirectly succeeds to 75 per cent. or more of the Relevant Obligations of such Company by way of a Succession Event, that entity will be the sole Successor.

(b) If one entity directly or indirectly succeeds to more than 25 per cent. (but less than 75 per cent.) of the Relevant Obligations of such Company by way of a Succession Event and not more than 25 per cent. of the Relevant Obligations of such Company remains with such Company, the entity that succeeds to more than 25 per cent. will be the sole Successor.

(c) If more than one entity each directly or indirectly succeed to more than 25 per cent. of the Relevant Obligations of such Company by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of such Company remains with such Company, the entities that succeed to more than 25 per cent. of the Relevant Obligations will each be a Successor.

(d) If one or more entities directly or indirectly succeed to more than 25 per cent. of the Relevant Obligations of such Company by way of a Succession Event and more than 25 per cent. of the Relevant Obligations of such Company remains with such Company, each such entity and the Company will be a Successor.

(e) If one or more entities directly or indirectly succeed to a part of Relevant Obligations of such Company by way of a Succession Event but no entity succeeds to more than 25 per cent. of the Relevant Obligations of such Company and such Company continues to exist, there will be no Successor and the Company will then be changed in any way.

(f) one or more entities directly or indirectly succeed to a part of the Relevant Obligations of the Company by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Company and the Company ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations) of the Company will be the sole Successor.

The Determination Agent will be responsible for determining as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 days after the legally effective date of the Succession Event) and with effect from the legally effective date of the Succession Event whether the relevant thresholds set forth above have been met, or which entity qualifies under (f) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (f) above, as applicable, the Determination Agent shall use in respect of each Relevant Obligation included in such calculation, the amount of the liability in respect of such relevant Obligation listed in the Best Available Information.

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

Where:

- (i) in respect of a Reference Obligation for a Company;
- (ii) one or more Successors to the Company have been identified; and
- (iii) any one or more Successors have not assumed the Reference Obligation,

a substitute Reference Obligation will be determined by the Determination Agent with respect of each such Successor.

Where the effect of these Successor provisions within this definition would be that a Company is specified more than once, that Company shall be deemed to be specified once only for the purposes of the Notes.

Where any Company (the “**First Company**”) would be a Successor to any other Company

(the “**Second Company**”) in accordance with this “**Successor**” definition, the First Company shall be deemed not to be a Successor to the Second Company and a further Company (the “**Replacement Company**”) shall be selected by the Determination Agent, in its sole and absolute discretion, to be a Successor to the Second Company.

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

“**Swap Counterparty Option**” means, in respect of the Notes, the option of the Swap Counterparty, as provided in the Swap Agreement, to terminate the Swap Agreement in respect of the relevant notional amount of the Notes in whole (but not in part) on any Interest Payment Date falling on or after the first anniversary of the Issue Date, by giving not less than five Business Days' notice to the Issuer.

“**Swap Settlement Amount**” means:

(i) in respect of the Swap Agreement the early termination amount or close out payment (as determined by the Swap Counterparty) receivable or payable (expressed as a negative amount) by the Swap Counterparty or the Issuer under the Swap Agreement which has terminated early or otherwise closed out (other than where such amounts have been disapplied under the terms of the relevant transaction/transactions under the Swap Agreement); and

(ii) in respect of the Forward Agreement the early termination amount or close out payment (as determined by the Forward Counterparty) receivable or payable (expressed as a negative amount) by the Forward Counterparty or the Issuer under the Forward Agreement which has terminated early or otherwise closed out (other than where such amounts have been disapplied under the terms of the relevant transaction/transactions under the Forward Agreement).

“**Synthetic CDO Security**” means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the credit worthiness of a number of the underlying reference entities (constituting the portfolio of credit risks of the debt security) through one or more credit default swaps which the issuer of such debt security has entered into with one or more counterparties.

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

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

(B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds.

“**Valuation Date**” means any date falling on or after the 52<sup>nd</sup> Business Day to and including the 125<sup>th</sup> Business Day following the Company or Sovereign Credit Event Determination Date, as selected by the Swap Counterparty in its sole and absolute discretion.

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

### **Interpretation of Provisions**

(a) (i) “**North American Entity**” means Citigroup Inc..

(ii) “**European Entity**” means each of SCB and HSBC.

(iii) “**Asian Entity**” means Hutchison.

(b) (i) in the Deliverable Obligation Characteristics the term “Not Bearer” shall be construed as only applying to Bonds; (ii) in the Deliverable Obligation Characteristics the term “Transferable” shall be construed as only applying to Deliverable Obligations that are not Loans; and (iii) in the Deliverable Obligation Characteristics “Assignable Loan” or “Consent Required Loan” shall only apply to Loans;

(c) the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics which are Assignable Loan or Consent Required Loan and need not satisfy all such Deliverable Obligation Characteristics specified to apply to that Early Redemption Credit Event Entity; and

(d) In the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:

(i) For the purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.

(ii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified to apply to such Early Redemption Credit Event Entity from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America and the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified to apply to such Early Redemption Credit Event Entity from the following list: Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Transferable, Maximum Maturity and Not Bearer.

(iv) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Early Redemption Credit Event Entity shall be deemed to refer to the Underlying Obligor.

(v) The term “outstanding principal balance” (as used herein), when used in connection with Qualifying Guarantees are to be interpreted to be the then “outstanding principal balance” of the Underlying Obligation which is supported by a Qualifying Guarantee.

### **Restructuring Maturity Limitation and Fully Transferable Obligation Provisions**

When the Early Redemption Credit Event Entity is a North American Entity, the following provisions shall apply:

(a) If Restructuring is the only Company or Sovereign Credit Event specified in a Company or Sovereign Credit Event Notice, then a Deliverable Obligation may be selected only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.

(b) “**Fully Transferable Obligation**” means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition.

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

(c) “**Restructuring Maturity Limitation Date**” means the date that is the earlier of (x) thirty months following the Restructuring Date and (y) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Maturity Date or later than thirty months following the Maturity Date and if it is, it shall be deemed to be the Maturity Date or thirty months following the Maturity Date, as the case may be.

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

(e) “**Restructured Bond or Loan**” means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of the Company or Sovereign Credit Event Notice has occurred.

(f) “**Eligible Transferee**” means each of the following:

- (i) (A) any bank or other financial institution;
- (B) an insurance or reinsurance company;

- (C) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in clause (iii)(A) of this definition below); and
- (D) a registered or licensed broker or dealer (other than a natural person or proprietorship);

provided, however, in each case that such entity has total assets of at least USD500,000,000;

- (ii) an Affiliate of an entity specified in the preceding clause (i);
- (iii) each of a corporation, partnership, proprietorship, organisation, trust or other entity
  - (A) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least USD100,000,000 or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD100,000,000;
  - (B) that has total assets of at least USD500,000,000; or
  - (C) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in clauses (i), (ii), (iii)(B) or (iv) of this definition; and
- (iv) a Sovereign, Sovereign Agency or Supranational Organisation.

All references in this definition to USD include equivalent amounts in other currencies.

#### **Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Provisions**

When the Early Redemption Credit Event Entity is a European Entity:

- (a) If Restructuring is the only Company or Sovereign Credit Event specified in a Company or Sovereign Credit Event Notice then a Deliverable Obligation may be selected only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.
- (b) **“Conditionally Transferable Obligation”** means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Early Redemption Credit Event Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if an Early Redemption Credit Event Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable

Obligation shall not be considered to be a requirement for consent for purposes of this definition.

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

- (c) **“Modified Restructuring Maturity Limitation Date”** means, with respect to a Deliverable Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Deliverable Obligations.
- (d) **“Restructuring Date”** means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.
- (e) **“Restructured Bond or Loan”** means an obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Company or Sovereign Credit Event Notice has occurred.
- (f) **“Modified Eligible Transferee”** means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.