Amended and restated on 8 November 2007

**Kaupthing Bank hf.**
**Issue of €250,000,000 STRAUS Notes due 2012**
**under the €12,000,000,000**
**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 13 September 2007 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the office of the Issuer at Borgartun 19, 105 Reykjavik, Iceland and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

*No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Dealer.*

*By investing in the Notes each investor represents that:*

*(a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Notes and as to whether the investment in the Notes is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or the Dealer as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes. No communication (written or oral) received from the Issuer or the Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes.*

*(b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.*

*(c) Status of Parties. Neither the Issuer nor the Dealer is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.*

Investors should refer to the section entitled "Risk Factors" in the Base Prospectus for a discussion of certain risks associated with an investment in the Notes. In addition, investors should also note the following risks relating to the particular structure of the Notes:

**Liquidity Risk**

The terms of the Notes provide for the Calculation Agent (as defined in paragraph 18(ii) of Part A of these Final Terms) to enter into and/or hedge out notional transactions in respect of the short term interest rate trading strategy including leveraging and de-leveraging. The Calculation Agent does not undertake that the price for any Interest Rate Futures (as defined in Annex 1 below), which will be reflected in the Strategy Performance (as defined in Annex 1 below), will be at the best possible level, particularly where, at any given time, prices are shown by entities that are irregular participants in the market. The Calculation Agent is not responsible for strategy losses, if any, as a result of market disruptions or illiquidity.

No assurance can be given that conditions giving rise to price fluctuations and limited liquidity affecting futures transactions represented in the short term interest rate trading strategy will not occur, continue or become acute at any time during the term of the Notes.

**The Strategy**

The short term interest rate trading strategy of the Notes as dictated by an algorithm (the "**Algorithm**") described in Annex 1. Investment performance is subject to interest rate movements. The Note is a product with a high leverage where the Noteholder is taking the view that the trend following the strategy dictated by the Algorithm will, on average, not be successful in predicting the future levels of short term interest rates. Should short term interest rate levels move favourably with respect to the positions dictated by the Algorithm, the Strategy Performance could reduce the Rate of Interest payable and the leverage in the Notes could accentuate this effect. It is also anticipated that changes in the market value of the Future Position (as defined in Annex 1 below) will have a greater impact than a non-leveraged exposure on the value of the Strategy Performance.

| | | | |
|---|---|---|---|
| 1. | Issuer: | | Kaupthing Bank hf. |
| 2. | (i) | Series Number: | 2 |
| | (ii) | Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | | Euro (€) |
| 4. | Aggregate Nominal Amount: | | |
| | (i) | Series: | €250,000,000 |
| | (ii) | Tranche: | €250,000,000 |
| 5. | Issue Price: | | 100 per cent. of the Aggregate Nominal Amount |
| 6. | (i) | Specified Denominations: | €100,000 |
| | (ii) | Calculation Amount: | Not Applicable |
| 7. | (i) | Issue Date: | 12 October 2007 |
| | (ii) | Interest Commencement Date: | Issue Date |
| 8. | Maturity Date: | | Interest Payment Date falling on or nearest to 12 December 2012 |
| 9. | Interest Basis: | | Index Linked Interest<br>(further particulars specified below) |
| 10. | Redemption/Payment Amount Basis: | | Redemption at par |

| | | |
|---|---|---|
| 11. | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable |
| 12. | Put/Call Options: | Not Applicable |
| 13. | (a) Status of the Notes: | Senior |
| | (b) Date Board approval for issuance of Notes obtained: | Not Applicable |
| 14. | Method of distribution: | Non-syndicated |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | |
|---|---|---|
| 15. | **Fixed Rate Note Provisions** | Not Applicable |
| 16. | **Floating Rate Note Provisions** | Not Applicable |
| 17. | **Zero Coupon Note Provisions** | Not Applicable |
| 18. | **Index Linked Interest Note Provisions** | Applicable |
| | (i) Index/Formula: | See Annex 1 |
| | (ii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): | UBS AG, acting through its London branch or any successor thereof (the "**Calculation Agent**"). All determinations made by the Calculation Agent for the purposes of the Notes will be made in good faith and, in the absence of manifest error, wilful default or bad faith, will be final and conclusive and neither the Issuer nor the Calculation Agent will have any liability to the Noteholders or any third party in relation to such determinations |
| | (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: | See Annex 1 |
| | (iv) Specified Period(s)/Specified Interest Payment Dates: | The Specified Interest Payment Dates shall be 12 December in each year from and including 12 December 2008 to and including the Maturity Date, in each case subject to modification in accordance with the Business Day Convention |
| | (v) Business Day Convention: | Following Business Day Convention |
| | (vi) Additional Business Centre(s): | Not Applicable |
| | (vii) Minimum Rate of Interest: | 2.95 per cent. per annum |
| | (viii) Maximum Rate of Interest: | 12.20 per cent. per annum |

| | | |
|---|---|---|
| | (ix) Day Count Fraction: | Actual/360. For the purposes of calculating the Day Count Fraction, the actual number of days in the relevant Interest Period shall not be adjusted in accordance with the Business Day Convention |
| 19. | Equity Linked Interest Note Provisions | Not Applicable |
| 20. | Commodity Linked Interest Note Provisions | Not Applicable |
| 21. | Additional Disruption Events (applicable to Equity Linked Interest Notes only): | Not Applicable |
| 22. | Dual Currency Interest Note Provisions | Not Applicable |
| 23. | Target Redemption Note Provisions: | Not Applicable |
| 24. | Range Accrual Note Provisions: | Not Applicable |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 25. | Issuer Call | Not Applicable |
| 26. | Investor Put | Not Applicable |
| 27. | Target Redemption Note Provisions: | Not Applicable |
| 28. | Final Redemption Amount | €100,000 per Specified Denomination |
| 29. | Early Redemption Amount: | €100,000 per Specified Denomination |
| | Early Redemption Amount payable on redemption for taxation reasons under Condition 7(b) or on event of default under Condition 14(a) or on an illegality under Condition 7(h): | |
| 30. | Capital Notes Provisions | Not Applicable |
| 31. | Equity Linked Redemption Notes: | Not Applicable |
| 32. | Additional Disruption Events: | Not Applicable |
| 33. | Credit Linked Notes: | Not Applicable |
| 34. | Commodity Linked Redemption Notes: | Not Applicable |

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

| | | | |
|---|---|---|---|
| 35. | (a) | Form of Notes: | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event |
| | (b) | New Global Note: | No |
| 36. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | | Not Applicable |
| 37. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | | No |
| 38. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | | Not Applicable |
| 39. | Details relating to Instalment Notes: | | |
| | (i) | Instalment Amount(s): | Not Applicable |
| | (ii) | Instalment Date(s): | Not Applicable |
| 40. | Redenomination applicable: | | Redenomination not applicable |
| 41. | Other final terms: | | Not Applicable |

## DISTRIBUTION

| | | | |
|---|---|---|---|
| 42. | (i) | If syndicated, names of Managers: | Not Applicable |
| | (ii) | Date of Subscription Agreement: | Not Applicable |
| | (iii) | Stabilising Manager(s) (if any): | Not Applicable |
| 43. | If non-syndicated, name of relevant Dealer: | | UBS Limited |
| 44. | U.S. Selling Restrictions: | | Reg. S Category 2; TEFRA D |
| 45. | Additional selling restrictions: | | Not Applicable |

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms of the Notes described herein pursuant to the €12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: **Guðni Aðalsteinsson**
~~Framkvæmdastjóri fjárstýringar~~
Duly authorised Treasurer

STEINGRIMUR P KARASON
CHIEF RISK OFFICER

## PART B – OTHER INFORMATION

**1. LISTING AND ADMISSION TO TRADING**

| | | |
|---|---|---|
| (i) | Admission to trading: | Not Applicable |
| (ii) | Estimate of total expenses related to admission to trading: | Not Applicable |

**2. RATINGS**

Ratings: The Notes to be issued have been rated:

Moody's: Not Applicable
Fitch: Not Applicable

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save for any fees payable to the Dealer and the Calculation Agent, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

**4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

| | | |
|---|---|---|
| (i) | Reasons for the offer: | Not Applicable |
| (ii) | Estimated net proceeds: | Not Applicable |
| (iii) | Estimated total expenses: | Not Applicable |

**5. YIELD**

Indication of yield: Not Applicable

**6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING INDEX** *(Index-Linked Notes only)*

Not Applicable

**7. PERFORMANCE OF [THE EQUITY/BASKET OF EQUITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE EQUITY/BASKET OF EQUITIES]]** *(Equity Linked Notes only)*

Not Applicable

**8. PERFORMANCE OF [THE COMMODITY/BASKET OF COMMODITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE COMMODITY/BASKET OF COMMODITIES]]** *(Commodity Linked Notes only)*

Not Applicable

**9. INFORMATION IN RELATION TO THE REFERENCE ENTITY, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE REFERENCE ENTITY]** *(Credit Linked Notes only)*

Not Applicable

**10. PERFORMANCE OF RATE[S] OF EXCHANGE** *(Dual Currency Notes only)*

Not Applicable

**11. OPERATIONAL INFORMATION**

| | | |
|---|---|---|
| (i) | ISIN Code: | XS0326049276 |
| (ii) | Common Code: | 032604927 |
| (iii) | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | Not Applicable |
| (iv) | Delivery: | Delivery against payment |
| (v) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |
| (vi) | Intended to be held in a manner which would allow Eurosystem eligibility: | No |

## ANNEX 1

For the purposes of Condition 5(b)(ii) and subject to Condition 5(b)(iii), the Rate of Interest payable from time to time in respect of the Notes shall be determined by the Calculation Agent in accordance with the following formula (expressed as a percentage rate per annum):

**12 month Euribor + 1.70% - (10) x (Index Return)**

where:

"**12 month Euribor**" means, in respect of each Interest Period, either:

(a) the offered quotation; or

(b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Euro-zone inter-bank offered rate ("**Euribor**") for 12 month deposits of euro which appears or appear, as the case may be, on Reuters Page EURIBOR01 (or any successor page as determined by the Calculation Agent) (the "**Relevant Screen Page**") as at 11.00 a.m. (Brussels time) on the Strategy Roll Date immediately preceding the start of such Interest Period. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

"**Index Return**" means, in respect of each Interest Period, the sum of the Strategy Performances for each Strategy Roll Period corresponding to such Interest Period.

For these purposes:

The "**Aggregate Settlement Amount**" for a Strategy Roll Period shall be expressed as a percentage amount and shall be:

(i) the sum of all Settlement Amounts for such Strategy Roll Period; plus

(ii) the sum of all Roll Settlement Amounts for such Strategy Roll Period, minus

(iii) the Strategy Roll Cost.

"**Available Currencies**" means US Dollar ("**USD**"), Euro ("**EUR**"), British Pound Sterling ("**GBP**"), Swiss Franc ("**CHF**") and Japanese Yen ("**JPY**").

"**Available Currency Business Days**" means:

(i) in case of EUR a day (other than a Saturday or Sunday) on which commercial banks and are open in London and Frankfurt for general business and on which the TARGET system is operating;

(ii) in case of USD a day (other than a Saturday or Sunday) on which commercial banks are open in London, Frankfurt and New York;

(iii) in case of GBP a day (other than a Saturday or Sunday) on which commercial banks are open in London and Frankfurt;

(iv) in case of CHF a day (other than a Saturday or Sunday) on which commercial banks are open in London, Frankfurt and Zurich; and

(v) in case of JPY a day (other than a Saturday or Sunday) on which commercial banks are open in London, Frankfurt and Tokyo.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open in London, New York, Zurich and Tokyo for general business (including dealings in foreign currency and foreign deposits) and on which the TARGET System is operating.

"**Calculation Day**" means, in respect of each Available Currency, the corresponding Available Currency Business Day from and including the first Strategy Roll Date to and including the Strategy Roll Date immediately prior to the Maturity Date.

"**Channel Breakout Signal**" means, in respect of each Available Currency and each Calculation Day:

+1 if the Observed Price for such Available Currency is greater than the highest level of the Observed Price for such Available Currency observed in the preceding 19 Calculation Days; otherwise,

-1 if the Observed Price for such Available Currency is lower than the lowest level of the Observed Price for such Available Currency observed in the preceding 19 Calculation Days; otherwise,

zero.

"**CME**" means the Chicago Merchantile Exchange Inc. or any successor thereto.

"**Current Future**" means, in respect of each Strategy Roll Period and in respect of each of the Available Currencies, the Interest Rate Future falling due for expiry after and closest to the Strategy Roll Date at the end of such Strategy Roll Period.

"**Currency Weights**" means:

5% in respect of Swiss Franc;

30% in respect of Euro;

5% in respect of British Pound Sterling;

15% in respect of Japanese Yen; and

45% in respect of US Dollar.

"**Future Entry Price**" means, for the initial Strategy Roll Period, until the determination (if any such determination occurs) of a Future Trade Price in the relevant Available Currency:

97.144 in respect of Swiss Franc;

95.430 in respect of Euro;

93.800 in respect of British Pound;

99.110 in respect of Japanese Yen; and

94.955 in respect of US Dollar.

Subsequently on any Available Currency Business Day in the initial Strategy Roll Period, in respect of each Available Currency, the Future Entry Price shall be the most recent Future Trade Price for such Available Currency.

In subsequent Strategy Roll Periods, until the determination (if any such determination occurs) of a Future Trade Price in an Available Currency, the Future Entry Price for such Available Currency shall be the Next Future Price *with respect to the previous Strategy Roll Period,* determined on the Strategy Roll Date at the start of that current Strategy Roll Period.

Subsequently on any Business Day of such Strategy Roll Period, in respect of each Available Currency the Future Entry Price shall be the most recent Future Trade Price for such Available Currency, occurring on a prior Available Currency Business Day.

**"Future Position"** means, in respect of the first Calculation Day of the first Strategy Roll Period, the following Future Position in respect of each Available Currency:

+1 in respect of Swiss Franc;

-1 in respect of Euro;

-1 in respect of British Pound;

+1 in respect of Japanese Yen; and

+1 in respect of US Dollar.

On any subsequent Available Currency Business Day which is also a Trading Day then with respect of each Available Currency:

if the Moving Average Signal for such Trading Day is equal to +1 and the Channel Breakout Signal for such Trading Day is equal to +1 then the Future Position will be +1; otherwise

if the Moving Average Signal for such Trading Day is equal to -1 and the Channel Breakout Signal for such Trading Day is equal to -1 then the Future Position will be -1; otherwise

the Future Position shall be unchanged.

On any subsequent Available Currency Business Day which is not also a Trading Day then with respect of each Available Currency, the Future Position shall be unchanged.

For the avoidance of doubt, a Future Position of +1 denotes a notional long position in the Current Future while a Future Position of -1 denotes a notional short position in the Current Future.

**"Future Roll Price"** means, in respect of each Strategy Roll Period and each Available Currency, the price at which the Current Future may be traded as soon as reasonably practical after 11:00 am (London time) on the Strategy Roll Date at the end of such Strategy Roll Period, as determined by the Calculation Agent given the trading conditions in the relevant markets.

All Future Roll Prices shall be expressed as a number to 3 decimal places between 0.000 and 100.000 (inclusive).

"**Future Trade Price**" means, in respect of an Available Currency, the price at which the Current Future may be traded as soon as reasonably practical after 11:00 am (London time), as determined by the Calculation Agent in a commercially reasonable manner taking into account trading conditions in the relevant markets and making such adjustments (if any) as it reasonably believes appropriate to account for such conditions.

A Future Trade Price shall be determined following any change in Future Position with respect to an Available Currency, on the Trading Day on which such change occurred.

All Future Trade Prices shall be expressed as a number to 3 decimal places between 0.000 and 100.000 (inclusive).

"**Interest Rate Future**" means:

(a) in respect of Swiss Franc, a 3 Month Euro Swiss Franc Interest Rate Future determined by LIFFE on the basis of the August 2004 contract specification, expiring in March, June, September or December, Bloomberg ticker ES.

(b) in respect of Euro, a 3 Month Euro (EURIBOR) Interest Rate Future determined by LIFFE on the basis of the August 2004 contract specification, expiring in March, June, September or December, Bloomberg ticker ER.

(c) in respect of British Pound Sterling, a 3 Month Short Sterling Interest Rate Future determined by LIFFE on the basis of the August 2004 contract specification, expiring in March, June, September or December, Bloomberg ticker L.

(d) in respect of Japanese Yen, a 3 Month Euroyen Interest Rate Future determined by TFE on the basis of the October 2004 contract specification, expiring in March, June, September or December, Bloomberg ticker YE.

(e) in respect of US Dollar, a 3 Month Eurodollar Interest Rate Future, as determined by CME on the basis of the current contract specification, expiring in March, June, September or December, Bloomberg ticker ED.

The Calculation Agent, acting in a commercially reasonable manner, may substitute any Interest Rate Future with an economically similar contract for reasons including, but not limited to, liquidity if it determines that this would better preserve the economic intention of the parties at the time the Notes were issued

"**LIFFE**" means Euronext.LIFFE or any successor thereto.

The "**Moving Average Signal**", in respect of each Available Currency and each Calculation Day "**t**" of a Strategy Roll Period, for a given pair of Moving Average Systems "**$MA_t$(Period Length $_{Shorter}$)**" and "**$MA_t$(Period Length $_{Longer}$)**" is determined at 10:45 a.m. (London time) as follows:

If $MA_t$ (Period Length $_{Shorter}$) $\geq$ $MA_t$ (Period Length $_{Longer}$)

then Moving Average Signal = +1

otherwise Moving Average Signal = –1.

For the calculation of the Moving Average Signal for each Available Currency, the following Period Lengths (expressed in Business Days) are:

| | Period Length $_{Shorter}$ | Period Length $_{Longer}$ |
|---|---|---|
| USD: | 10 | 120 |
| EUR: | 30 | 150 |
| GBP: | 30 | 150 |
| CHF: | 30 | 300 |
| JPY: | 30 | 500 |

The "**Moving Average System**", in respect of each Available Currency on each Calculation Day "**t**" of a Strategy Roll Period, with a Period Length "**c**" is determined at 10:45 a.m. (London time) as follows:

On the first Strategy Roll Date "**a**", the $MA_a(c)$ values are equal to:

$MA_a$ (EUR) is equal to:

95.46331 for Period Length $_{Shorter}$ and 95.55521for Period Length $_{Longer}$;

$MA_a$ (USD) is equal to:

95.04156 for Period Length $_{Shorter}$ and 95.02641 for Period Length $_{Longer}$;

$MA_a$ (CHF) is equal to:

97.17276 for Period Length $_{Shorter}$ and 97.09135 for Period Length $_{Longer}$;

$MA_a$ (JPY) is equal to:

99.14208 for Period Length $_{Shorter}$ and 99.00414 for Period Length $_{Longer}$; and

$MA_a$ (GBP) is equal to:

93.85428 for Period Length $_{Shorter}$ and 93.91802 for Period Length $_{Longer}$.

On any subsequent Calculation Day in respect of Period Length $_{Shorter}$ and Period Length $_{Longer}$ for each Available Currency $MA_t$ is calculated as follows:

$MA_t(c) = MA_{t-1}(c) + (EXP \text{ x } Diff)$

Where:

"**EXP**" means $2/(c + 1)$

"**Diff**" means $P_t - MA_{t-1}$

"**$MA_{t-1}(c)$**" means the value of the Moving Average System on the Calculation Day immediately preceding Calculation Day "t".

"**Pt**" means the Observed Price on Calculation Day "t" with respect to such Available Currency

"**Next Future**" means, in respect of each Strategy Roll Period and in respect of each of the Available Currencies, the Interest Rate Future falling due for expiry immediately after the expiry of the Current Future.

"**Next Future Price**" means, in respect of each Strategy Roll Period and each Available Currency, the price at which the Next Future may be traded as soon as reasonably practical after 11:00 am (London time) on a Strategy Roll Date, as determined by the Calculation Agent in a commercially reasonable manner taking into account trading conditions in the relevant markets and making such adjustments (if any) as it reasonably believes appropriate to account for such conditions.

All Next Future Prices shall be expressed as a number to 3 decimal places between 0.000 and 100.000 (inclusive).

"**Observed Price**" ("$P_t$") means, in respect of each Available Currency and each Calculation Day, and in a commercially reasonable manner taking into account trading conditions in the relevant markets and making such adjustments (if any) as it reasonably believes appropriate to account for such conditions, the mid-market price of the Current Future at 10:45 a.m. (London time).

The mid-market price of the Current Future will be determined by the Calculation Agent acting in a commercially reasonable manner.

On the last day of each Strategy Roll Period, the Calculation Agent will adjust all stored Observed Prices, including the price observed on that Business Day by the Adjustment Factor.

The "Adjustment Factor" is the Observed Price on the first day of the next Strategy Roll Period minus the Observed Price on the last day of the current Strategy Roll Period

The Observed Price, as adjusted, will then replace the previously stored Observed Prices and will be used for the purposes of all calculations required under the Notes.

"**Roll Settlement Amount**" means, in respect of each Strategy Roll Period on the Strategy Roll Date at the end of such Strategy Roll Period, and following the determination of the Future Trade Price, an amount (expressed as a percentage amount) calculated by the Calculation Agent with respect to such Available Currencies as follows:

**(Future Position) x ((Future Roll Price)/100 – (Future Entry Price)/100) x (Currency Weight for such Available Currency)**

where Future Position is that at the end of such Strategy Roll Period for such Available Currency.

For the avoidance of doubt, a number of Roll Settlement Amounts will be determined in a given Strategy Roll Period, corresponding to the number of Available Currencies.

"**Settlement Amount**" means, in respect of each Strategy Roll Period following a change in Future Position in respect of an Available Currency and the resulting determination of the Future Trade Price, an amount (expressed as a percentage) calculated by the Calculation Agent with respect to such Available Currency as follows:

**(Future Position) x ((Future Entry Price)/100 – (Future Trade Price)/100) x (Currency Weight for such Available Currency)**

Where Future Position is that *after* such change in Future Position.

For the avoidance of doubt, a number of Settlement Amounts may be determined in a given Strategy Roll Period, corresponding to the number of changes in Future Position generated over the course of such Strategy Roll Period.

"**Strategy Performance**" means, in respect of each Strategy Roll Period:

If (Aggregate Settlement Amount for such Strategy Roll Period) > 0, then

(Aggregate Settlement Amount for such Strategy Roll Period) x 90%, otherwise

(Aggregate Settlement Amount for such Strategy Roll Period).

"**Strategy Roll Cost**" means 0.03%.

"**Strategy Roll Dates**" means, initially, 10 October 2007 followed by 7 February, 7 May, 7 August and 7 November in each year, subject to adjustment in accordance with the Business Day Convention. For the avoidance of doubt, the second Strategy Roll Date shall be 7 November 2007 (subject to adjustment in accordance with the Business Day Convention).

"**Strategy Roll Period**" means, initially, the period from and including midday (London time) on the first Strategy Roll Date to and including midday (London time) on the second Strategy Roll Date. After the second Strategy Roll Date, the expression "**Strategy Roll Period**" means the period from but excluding midday (London time) on one Strategy Roll Date to and including midday (London time) on the next succeeding Strategy Roll Date.

Each Strategy Roll Period will correspond to the first Interest Period which ends after the end of such Strategy Roll Period. For the avoidance of doubt, five Strategy Roll Periods will correspond to the first Interest Period and four Strategy Roll Periods will correspond to any subsequent Interest Period.

The first Strategy Roll Period corresponding to an Interest Period will be the Strategy Roll Period corresponding to such Interest Period that starts on the earliest date.

The last Strategy Roll Period corresponding to an Interest Period will be the Strategy Roll Period corresponding to such Interest Period that ends on the latest date.

"**TFE**" means the Tokyo Financial Exchange Inc. or any successor thereto.

"**Trading Day**" means Tuesday in each week, subject to adjustment in accordance with the Business Day Convention.