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BASE PROSPECTUS

BANCA IMI S.p.A.

(incorporated with limited liability in the Republic of Italy)

STRUCTURED NOTE PROGRAMME

Under this Structured Note Programme (the **Programme**) Banca IMI S.p.A. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency determined by the Issuer.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Luxembourg Act**) to approve this document as a base prospectus. The CSSF assumes no responsibility as to the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. References in this Base Prospectus to Notes which are intended to be **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been listed on the Official List of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Notes will be issued in such denominations as may be specified by the Issuer and indicated in the applicable Final Terms (as defined below) save that the minimum denomination of each Note admitted to trading on a European Economic Area exchange or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/71/EC (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes listed on the Luxembourg Stock Exchange, will be filed with the CSSF.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as the Issuer may determine. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Notes may be issued on a continuing basis and may be distributed by way of private or public placement as specified in the applicable Final Terms. If the applicable Final Terms so specify, Notes may be distributed to one or more Managers (each a **Manager**).

The rating (if any) of the Notes to be issued under the Programme will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) will be disclosed in the Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Issuer and BNP Paribas Securities Services, Luxembourg Branch in its capacity as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) may agree that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Luxembourg Stock Exchange's regulated market) a supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Prospective purchasers of Notes should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own circumstances and financial condition. Certain issues of Notes involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Notes and are not relying on the advice of the Issuer or, if relevant, any Manager in that regard. See "*Risk Factors*" on pages 19 to 31. In addition any applicable Final Terms may contain specific risk factors relating to the relevant issue of Notes.

If the applicable Final Terms specify that Condition 11(b) is applicable, the Issuer is not obliged to gross up any payments in respect of the Notes and shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "*Form of the Notes*" for a description of the manner in which Notes will be issued.

The date of this Base Prospectus is 29 September 2011.

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This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

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

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Manager(s) and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries, as the case may be.

This Base Prospectus is to be read and construed in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below) and, in relation to any Tranche of Notes, should be read and construed together with the applicable Final Terms. This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The applicable Final Terms will (if applicable) contain information relating to any underlying equity security, index, debt security, commodity, fund unit or share, exchange rate or other item(s) (each a Reference Item) to which the relevant Notes relate and which is contained in such Final Terms. However, unless otherwise expressly stated in a Final Terms, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item. The Issuer will, unless otherwise expressly stated in the applicable Final Terms, confirm that such extracts or summaries have been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the issuer, owner or sponsor, as the case may be, of such Reference Item, no facts have been omitted that would render the reproduced inaccurate or misleading, but the Issuer does not accept any further or other responsibility in respect of such information.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office(s) set out below of the Paying Agent(s) (as defined below).

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

No Manager has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Manager as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no material adverse change in the prospects of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented. Investors should review, inter alia, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer which is intended to permit a public offering of any Notes in any jurisdiction or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the Republic of Italy, the United Kingdom, The Netherlands, Germany and the Portuguese Republic) and Japan (see "Subscription and Sale" on page 172).

Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or publish a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Manager has

authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Manager to publish or supplement a prospectus for such offer.

All references in this document to "U.S. dollars", "U.S.$" and "$" refer to United States dollars and to "£" refer to Sterling. References to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

TABLE OF CONTENTS

	Page
Summary of the Programme	6
Overview of the Programme	13
Documents Incorporated by Reference	17
Risk Factors	19
Form of the Notes	32
Applicable Final Terms	34
Terms and Conditions of the Notes	66
Use of Proceeds	156
Description of the Issuer	157
Taxation	158
Subscription and Sale	172
General Information	177

In connection with the issue of any Tranche of Notes, the person or persons (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Person in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in "Form of the Notes" *and* "Terms and Conditions of the Notes" *below shall have the same meanings in this summary.*

Issuer:	Banca IMI S.p.A.
Information about the Issuer:	The Issuer is a bank organised and existing under the laws of the Republic of Italy engaged in investment banking activities. The Issuer is registered with the Companies' Register of Milan under No. 04377700150. Its registered office is at Largo Mattioli 3, 20121 Milan, with telephone number +39 02 72611. The Issuer is a wholly-owned subsidiary of Intesa Sanpaolo S.p.A., the parent company of the Intesa Sanpaolo banking group. Further information about the Issuer, including selected financial information relating to the Issuer, is provided in the Registration Document referred to in "*Documents Incorporated by Reference*" on page 17 of this Base Prospectus.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These risks are set out on page 19 under "*Risk Factors*" below and include credit risk, risks connected to the general performance of the economy, risks connected to fiscal and monetary policies, risks connected to the liquidity and prospects of the capital markets, counterparty risk and litigation risk. In addition, there are certain factors which are material for the purpose of assessing the risks associated with Notes issued under the Programme. These are set out at pages 19 – 31 under "*Risk Factors*" below and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of a particular issue of Notes (including, *inter alia*, risks relating to the structure of Currency Linked Notes, Commodity Linked Notes, Fund Linked Notes, Equity Linked Notes, Index Linked Notes and Credit Linked Notes), general risks relating to a particular issue of Notes and certain market and legal risks. Investors should consider that Notes linked to one or more Reference Item(s) may entail significant risks not associated with investments in a conventional debt security**.** The amount paid or value of the specified assets delivered by the Issuer on redemption of such Notes may be less than the principal amount of the Notes, together with any accrued interest, and may in certain circumstances be zero.

	In certain circumstances, the Calculation Agent may make certain determinations in respect of the Notes, and certain adjustments to the Terms and Conditions of the Notes, which could affect the amount payable or the value of the assets deliverable by the Issuer on the Notes. Potential conflicts of interest may exist between the Issuer and Noteholders, including (where the Issuer acts as Calculation Agent) with respect to certain determinations and judgments that the Calculation Agent may make pursuant to the Notes that may influence the amount receivable or specified assets deliverable on redemption of the Notes. Prospective investors should also consider all information provided in the Registration Document referred to in "*Documents Incorporated by Reference*" on page 17 of this Base Prospectus. **Prospective investors should ensure that they understand the nature of the relevant Notes and the suitability of the relevant Notes as an investment in light of their own circumstances and financial condition.**
Programme Size:	There is no maximum size of the Programme.
Distribution:	Notes may be issued on a continuing basis and may be distributed by way of private or public placement as specified in the applicable Final Terms. If the applicable Final Terms so specify, Notes may be distributed to one or more Managers.
Form of Notes:	The Notes will be issued in bearer form.
Terms of Notes:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. Notes may be denominated in any agreed currency and with any agreed maturity, subject to any applicable legal or regulatory restrictions and any requirements of the relevant central bank (or equivalent body). The terms of the Notes will be specified in the applicable Final Terms. As specified below, the following types of Note may be issued: (i) Notes which bear interest at a fixed rate or a floating rate; (ii) Notes which do not bear interest; and (iii) Notes which bear interest, and/or the redemption amount of which is, calculated by reference to a specified factor such as movements in an index or a currency exchange rate, changes in share or commodity prices or changes in the credit of an underlying entity. In addition, Notes which have any combination of the foregoing features may also be issued. Interest periods, rates of interest and the terms of and/or amounts payable on redemption may differ depending on the Notes being issued and such terms will be specified in the applicable Final Terms. The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders. The terms of any such redemption, including notice periods, any relevant conditions

to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

The Notes will be issued in such denominations as may be agreed between the Issuer and any relevant Manager save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Fixed Rate Notes: Interest on Fixed Rate Notes will be payable at such rate(s) and on such date or dates as may be specified by the Issuer and on redemption. Interest on Fixed Rate Notes involving broken interest amounts will be calculated on the basis of such Day Count Fraction as may be specified by the Issuer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(iii) on such other basis as may be specified by the Issuer.

The margin (if any) relating to such floating rate will be specified by the Issuer for each Series of Floating Rate Notes.

Currency Linked Notes: Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Currency Linked Notes will be made in such currencies, and by reference to such rates of exchange and/or such formulae as may be specified by the Issuer and indicated in the applicable Final Terms.

Commodity Linked Notes: Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Commodity Linked Notes will be calculated by reference to a single commodity or basket of commodities on such terms as may be specified by the Issuer and indicated in the applicable Final Terms.

Fund Linked Notes:	Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Fund Linked Notes will be calculated by reference to units or shares in a single fund or basket of funds on such terms as may be specified by the Issuer and indicated in the applicable Final Terms.
Index Linked Notes:	*Index Linked Interest Notes:* Payments of interest in respect of Index Linked Interest Notes will be calculated by reference to a single index or a basket of indices and/or such formula as may be specified by the Issuer and indicated in the applicable Final Terms. *Index Linked Redemption Notes:* Payments of principal in respect of Index Linked Redemption Notes will be calculated by reference to a single index or a basket of indices. Each nominal amount of Notes equal to the lowest Specified Denomination specified in the applicable Final Terms will be redeemed by payment of the Redemption Amount specified in or as determined pursuant to provisions in the applicable Final Terms, or if not so specified, as defined in the Terms and Conditions of the Notes.
Equity Linked Notes:	*Equity Linked Interest Notes:* Payments of interest in respect of Equity Linked Interest Notes will be calculated by reference to a single equity security or basket of equity securities on such terms as may be specified by the Issuer and indicated in the applicable Final Terms. *Equity Linked Redemption Notes:* Payments of principal in respect of Equity Linked Redemption Notes will be calculated by reference to a single equity security or a basket of equity securities. Each nominal amount of Notes equal to the lowest Specified Denomination specified in the applicable Final Terms will be redeemed by payment of the Redemption Amount specified in the applicable Final Terms or, if not so specified, as defined in the Terms and Conditions of the Notes. Equity Linked Redemption Notes may also provide that redemption will be by physical delivery of the Asset Amount as more fully set out under "*Terms and Conditions of the Notes*". If Potential Adjustment Events and/or De-listing and/or Merger Event and/or Nationalisation and/or Insolvency and/or Tender Offer are specified as applying in the applicable Final Terms, the Notes will be subject to adjustment in the event of certain corporate events occurring in respect of the Equity Issuer(s) specified in the applicable Final Terms as more fully set out under "*Terms and Conditions of the Notes*".
Other provisions in relation to Floating Rate Notes, Index Linked Notes and Equity Linked Notes:	Floating Rate Notes, Index Linked Interest Notes and Equity Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes, Index Linked Interest Notes and Equity Linked Interest Notes in respect of each Interest Period, as specified by the Issuer prior to issue, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be specified by the Issuer.

Credit Linked Notes: Notes with respect to which payment of principal and/or interest is linked to the credit of a specified entity or entities will be issued on such terms as may be specified by the Issuer.

If Conditions to Settlement are satisfied on or prior to the Scheduled Maturity Date or (if applicable) the Observation Cut-Off Date and the related Event Determination Date has not been reversed on or prior to the Scheduled Maturity Date or Observation Cut-off Date (as applicable), then, subject in each case to the Terms and Conditions of the Notes:

(i) the Issuer will redeem the Notes at the Cash Settlement Amount, if the relevant Final Terms specify Cash Settlement as the Settlement Method or as the Fallback Settlement Method and, in the latter case, the Issuer is required to redeem the Notes in accordance with the Fallback Settlement Method;

(ii) the Issuer will redeem the Notes by delivery of the Deliverable Obligations comprising the Asset Amount, if the relevant Final Terms specify Physical Delivery as the Settlement Method or as the Fallback Settlement Method and, in the latter case, the Issuer is required to redeem the Notes in accordance with the Fallback Settlement Method; or

(iii) the Issuer will redeem the Notes at the Auction Credit Event Redemption Amount if the relevant Final Terms specify Auction Settlement as the Settlement Method.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Other Notes: Notes with respect to which payments of principal and/or interest is linked or relates to other Reference Item(s) may be issued on such terms as may be specified by the Issuer and indicated in the applicable Final Terms.

Taxation: If the applicable Final Terms specify that Condition 11(a) is applicable to the Notes, principal and interest in respect of the Notes will be payable by the Issuer without withholding or deduction for or on account of withholding taxes imposed by the Republic of Italy or by or on behalf of any political subdivision or any authority therein having power to tax subject as provided in Condition 11(a). In the event that any deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 11(a), be required to pay additional amounts to cover the amounts so deducted.

If the applicable Final Terms specify that Condition 11(b) is applicable to the Notes, the Issuer is not obliged to gross up any payments in respect of the Notes and shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all

	payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.
Negative Pledge:	The terms of the Notes will not contain a negative pledge provision.
Events of Default:	The terms of the Notes will contain, amongst others, the following events of default: (a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time; (b) non-performance or non-observance by the Issuer of any of its other obligations under the Terms and Conditions continuing for a specified period of time; (c) the Issuer suspends its payments generally; and (d) events relating to the insolvency or winding up of the Issuer.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Use of Proceeds:	The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. A substantial portion of the proceeds from the issue of certain Notes may be used to hedge market risk with respect to such Notes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.
Rating:	The rating (if any) of the Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange.

	Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be specified by the Issuer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including Italy, the United Kingdom, the Netherlands, Germany and the Portuguese Republic) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the Summary and the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer may determine that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplement to this Prospectus will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	Banca IMI S.p.A.
Description:	Structured Note Programme
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*").
Issuing and Principal Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency specified by the Issuer including, without limitation, Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese yen, New Zealand dollars, Norwegian krone, South African rand, Sterling, Swedish kronor, Swiss francs and U.S. dollars (as specified in the applicable Final Terms).
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 3.
Maturities:	Such maturities as may be specified by the Issuer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par as specified in the applicable Final Terms.
Form of Notes:	The Notes will be issued in bearer form, as described in "*Form of the Notes*".
Fixed Rate Notes:	Interest on Fixed Rate Notes will be payable at such rate(s) and on such date or dates as may be specified by the Issuer and on redemption. Interest on Fixed Rate Notes involving broken interest amounts will be calculated on the basis of such Day Count Fraction as may be specified by the Issuer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(iii) on such other basis as may be specified by the Issuer.

The margin (if any) relating to such floating rate will be specified by the Issuer for each Series of Floating Rate Notes.

Currency Linked Notes:

Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Currency Linked Notes will be made in such currencies, and by reference to such rates of exchange and/or such formulae as may be specified by the Issuer and indicated in the applicable Final Terms.

Commodity Linked Notes:

Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Commodity Linked Notes will be calculated by reference to a single commodity or basket of commodities on such terms as may be specified by the Issuer and indicated in the applicable Final Terms.

Fund Linked Notes:

Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Fund Linked Notes will be calculated by reference to units or shares in a single fund or basket of funds on such terms as may be specified by the Issuer and indicated in the applicable Final Terms.

Index Linked Notes:

Index Linked Interest Notes:

Payments of interest in respect of Index Linked Interest Notes will be calculated by reference to a single index or a basket of indices and/or such formula as may be specified by the Issuer and indicated in the applicable Final Terms.

Index Linked Redemption Notes:

Payments of principal in respect of Index Linked Redemption Notes will be calculated by reference to a single index or a basket of indices. Each nominal amount of Notes equal to the lowest Specified Denomination specified in the applicable Final Terms will be redeemed by payment of the Redemption Amount specified in or as determined pursuant to provisions in the applicable Final Terms, or if not so specified, as defined in the Terms and Conditions of the Notes.

Equity Linked Notes:

Equity Linked Interest Notes:

Payments of interest in respect of Equity Linked Interest Notes will be calculated by reference to a single equity security or basket of equity securities on such terms as may be specified by the Issuer and indicated in the applicable Final Terms.

Equity Linked Redemption Notes:

Payments of principal in respect of Equity Linked Redemption Notes will be calculated by reference to a single equity security or a basket of equity securities. Each nominal amount of Notes equal to the lowest Specified Denomination specified in the applicable Final Terms will be redeemed by payment of the Redemption Amount specified in the applicable Final Terms or, if not so specified, as defined in the Terms and Conditions of the Notes. Equity Linked Redemption Notes may also provide that redemption will be by physical delivery of the Asset Amount as more fully set out under "*Terms and Conditions of the Notes*".

If Potential Adjustment Events and/or De-listing and/or Merger Event and/or Nationalisation and/or Insolvency and/or Tender Offer are specified as applying in the applicable Final Terms, the Notes will be subject to adjustment in the event of certain corporate events occurring in respect of the Equity Issuer(s) specified in the applicable Final Terms as more fully set out under "*Terms and Conditions of the Notes*".

Other provisions in relation to Floating Rate Notes, Index Linked Interest Notes and Equity Linked Interest Notes:

Floating Rate Notes, Index Linked Interest Notes and Equity Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes, Index Linked Interest Notes and Equity Linked Interest Notes in respect of each Interest Period, as specified by the Issuer prior to issue, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be specified by the Issuer.

Credit Linked Notes:

Notes with respect to which payment of principal and/or interest is linked to the credit of a specified entity or entities will be issued on such terms as may be specified by the Issuer.

If Conditions to Settlement are satisfied on or prior to the Scheduled Maturity Date or (if applicable) the Observation Cut-Off Date and the related Event Determination Date has not been reversed on or prior to the Scheduled Maturity Date or Observation Cut-off Date (as applicable), then, subject in each case to the Terms and Conditions of the Notes:

(i) the Issuer will redeem the Notes at the Cash Settlement Amount, if the relevant Final Terms specify Cash Settlement as the Settlement Method or as the Fallback Settlement Method and, in the latter case, the Issuer is required to redeem the Notes in accordance with the Fallback Settlement Method;

(ii) the Issuer will redeem the Notes by delivery of the Deliverable Obligations comprising the Asset Amount, if the relevant Final Terms specify Physical Delivery as the Settlement Method or as the Fallback Settlement Method and, in the latter case, the Issuer is required to redeem the Notes in accordance with the Fallback Settlement Method; or

(iii) the Issuer will redeem the Notes at the Auction Credit Event Redemption Amount if the relevant Final Terms specify Auction Settlement as the Settlement Method.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Other Notes: Notes with respect to which payments of principal and/or interest is linked or relates to other Reference Item(s) may be issued on such terms as may be specified by the Issuer and indicated in the applicable Final Terms.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, for taxation reasons, if applicable, or following an Event of Default, or in the case of Index Linked Redemption Notes, following an Index Adjustment Event or, in the case of Equity Linked Redemption Notes, following certain corporate events as described herein) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be specified by the Issuer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Payments of interest in respect of Notes which do not incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value may be subject to Italian withholding tax at a special higher rate as described herein under "Taxation – Italian Taxation – Atypical Securities".

Denomination of Notes: Notes will be issued in such denominations as may be specified by the Issuer and indicated in the applicable Final Terms, save that the minimum denomination of each Note admitted to trading on a European Economic Area exchange or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Substitution of the Issuer: The Issuer is entitled, subject to the Terms and Conditions of the Notes, to substitute any other company as principal debtor in respect of all obligations arising from or in connection with any Series of Notes or to change the branch through which it is acting for the purpose of any Series of Notes. Upon any such substitution of the Issuer or branch, the Terms and Conditions of the Notes will be amended in all consequential respects.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be deemed to be incorporated in, and to form part of, this Base Prospectus. Any information not listed in the cross-reference lists below but included in the document incorporated by reference is given for information purposes only. The documents set out below that are incorporated by reference in this Base Prospectus are direct translations into English from the original Italian language documents. For the avoidance of doubt, the Issuer's interim financial statements are not audited.

(a) The registration document of the Issuer filed with CONSOB on 7 July 2011 pursuant to the authorisation communicated by notice No. 11061015 of 7 July 2011 (the **Registration Document**).

Auditors	Page 5
Risk factors	Pages 6 to 8
History and development of the Issuer	Pages 13 to 14
Main activities	Page 15
Main markets	Page 15
Organisational structure	Pages 17 to 18
Administrative, management and supervisory bodies	Pages 22 to 24
Main shareholders	Page 25
Legal and arbitration proceedings	Pages 27 to 30
Material contracts	Page 31

(b) The audited company financial statements and the audited consolidated financial statements of the Issuer for the financial year ending 31 December 2009:

	2009 Company Financial Statements	*2009 Consolidated Financial Statements*
Balance sheet	Pages 59-60	Pages 265-266
Income statement	Page 61	Page 267
Changes in shareholders' equity	Pages 63-64	Page 269
Statement of cash flows	Pages 65-66	Pages 270-271
Accounting principles and explanatory notes	Pages 69 *et seq.*	Pages 275 *et seq.*
Auditors' report	Page 221	Pages 389-390

(c) The audited company financial statements and the audited consolidated financial statements of the Issuer for the financial year ending 31 December 2010:

	2010 Company Financial Statements	*2010 Consolidated Financial Statements*
Balance sheet	Pages 61-62	Pages 261-262
Income statement	Page 63	Page 263
Changes in shareholders' equity	Pages 65-66	Page 265
Statement of cash flows	Pages 67-68	Pages 266-267
Accounting principles and explanatory notes	Pages 71 *et seq.*	Pages 271 *et seq.*
Auditors' report	Pages 214-215	Pages 367-368

(d) The unaudited consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2011:

Balance Sheet	Page 49
Income Statement	Page 51
Changes in shareholders' equity	Page 53
Statement of cash flows	Page 54
Accounting principles and explanatory notes	Pages 55 *et seq.*
Auditors' review report	Page 119

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg. This Base Prospectus and all documents incorporated by reference herein are available on the official website of the Luxembourg Stock Exchange at www.bourse.lu.

The Issuer will in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus, which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus, which supplement will be approved by the CSSF in accordance with Article 13 of the Luxembourg Act, or publish a new prospectus for use in connection with any subsequent issue of Notes. Any supplement to this Base Prospectus will be published on the website of the Luxembourg Stock Exhange at www.bourse.lu.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme and/or are material for the purpose of assessing the market risks associated with Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur or arise for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. The Final Terms in respect of a Series of Notes may contain additional Risk Factors in respect of such Series. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Terms used in this section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Creditworthiness of the Issuer

The Notes and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding. The Issuer issues a large number of financial instruments, including the Notes and, at any given time, the financial instruments outstanding may be substantial.

If a court in the jurisdiction of incorporation of the Issuer institutes bankruptcy or composition proceedings to avert bankruptcy or similar proceedings against the assets of the Issuer, or the Issuer applies for the institution of such proceedings concerning its assets, payments of interest, principal or other amounts on or in connection with the Notes and/or delivery of any assets in connection with the Notes may be limited and/or may be substantially delayed.

Prospective investors should also consider the section entitled "*Risk Factors*" provided in the Registration Document referred to in "*Documents Incorporated by Reference*" on page 17 of this Base Prospectus.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all the information contained in the applicable Final Terms;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

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

In addition an investment in the Currency Linked Notes, Commodity Linked Notes, Fund Linked Notes, Equity Linked Notes, Index Linked Notes, Credit Linked Notes (each as defined below) or other Notes linked to one or more Reference Item(s), may entail significant risks not associated with investments in a conventional debt security, including but not limited to, the risks set out in "*Risks related to the structure of a particular issue of Notes*" set out below.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments but as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

In respect of Notes which are conventional debt securities, the Issuer may be expected to redeem such Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Currency Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon movements in currency exchange rates or are payable in one or more currencies which may be different from the currency in which the Notes are denominated (**Currency Linked Notes**).

Changes in currency exchange rates cannot be predicted. Although historical data with respect to currency exchange rates may be available, the historical performance of currency exchange rates should not be taken as an indication of future performance.

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

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

The market price of such Notes may be volatile and, if the amount of principal and/or interest payable are dependent upon movements in currency exchange rates, may depend upon the time remaining to the redemption date and the volatility of currency exchange rates. Movements in currency exchange rates may be dependent upon economic, financial and political events in one or more jurisdictions.

Commodity Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon the price or changes in the price of a commodity or basket of commodities or where, depending on the price or change in the price of the commodity or basket of commodities, on redemption the Issuer's obligation is to deliver specified assets (**Commodity Linked Notes**).

Changes in the price of a commodity or basket of commodities cannot be predicted. Although historical data with respect to a commodity or basket of commodities may be available, the historical performance of a commodity or basket of commodities should not be taken as an indication of future performance.

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

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the commodity or commodities on principal, interest payable or the amount of specified assets deliverable will be magnified.

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the price of the commodities. The price of commodities may be affected by economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any such commodities may be traded.

Commodity Linked Notes related to commodity futures contracts or commodity indices

The yield on Commodity Linked Notes which are linked to commodity futures contracts or commodity indices may not be perfectly correlated to the trend in the price of the underlying commodities, as the use of commodity futures contracts generally involves a rolling mechanism. This means that any commodity futures contracts which expire prior to the relevant payment date under the applicable Commodity Linked Notes are replaced with commodity futures contracts that have a later expiry date. Investors may, therefore, only marginally benefit from any rise or fall in the price of the commodities.

In addition, the trend of commodity futures contracts may differ significantly from that of the commodity spot markets. The trend in the price of a commodity futures contract compared to the underlying commodity is closely linked to the present and future level of production of the underlying commodity, or to the level of estimated natural reserves, particularly in the case of energy linked products. In addition, the price of the relevant commodity futures contract may not be considered an accurate prediction of a market price, since it also includes so-called "carrying costs" (for example, warehouse or insurance costs). These factors substantially explain the imperfect correlation between commodity spot markets and commodity futures contracts.

Fund Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon the price or changes in the price of units or shares in a fund or funds or where, depending on the price or changes in the price of units or shares in such fund or funds, on redemption the Issuer's obligation is to deliver specified assets (**Fund Linked Notes**).

Changes in the price of units or shares in a fund or funds cannot be predicted. Although historical data with respect to the units or shares in a fund or funds may be available, the historical performance of the units or shares in a fund or funds should not be taken as an indication of future performance.

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

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

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the price of units or shares in the fund or funds. The price of units or shares in a fund may be affected by the economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any units in the fund or funds may be traded.

Equity Linked Notes

The Issuer may issue Notes where the amount of principal (**Equity Linked Redemption Notes**) and/or interest payable are dependent upon the price of or changes in the price of equity securities or a basket of equity securities or where, depending on the price of or change in the price of equity securities or the basket of equity securities, on redemption the Issuer's obligation is to deliver specified assets (**Equity Linked Notes**).

Changes in the price of equity securities or a basket of equity securities cannot be predicted. Although historical data with respect to the equity securities or a basket of equity securities may be available, the historical performance of the equity securities or a basket of equity securities should not be taken as an indication of future performance.

Potential investors in any such Notes should be aware that depending on the terms of the Equity Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified assets may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment. In addition, the movements in the price of the equity security or basket of equity securities may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the equity security or equity securities may affect the actual yield to investors, even if the

average level is consistent with their expectations. In general, the earlier the change in the price of the equity security or equity securities, the greater the effect on yield.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the equity security or equity securities on principal or interest payable will be magnified.

Where the Notes are Equity Linked Redemption Notes and Disrupted Day is specified as applying in the applicable Final Terms, the Calculation Agent may determine that an event giving rise to a Disrupted Day (as defined in the Terms and Conditions of the Notes) has occurred at any relevant time. Any such determination may have an effect on the timing of valuation and consequently the value of the Notes and/or may delay settlement in respect of the Notes. Prospective purchasers should review the Terms and Conditions of the Notes and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

Where the Notes provide for physical delivery, the Calculation Agent may determine that a Settlement Disruption Event is subsisting. A Settlement Disruption Event is an event beyond the control of the Issuer as a result of which, in the opinion of the Calculation Agent, delivery of the specified assets to be delivered by or on behalf of the Issuer is not practicable. Any such determination may affect the value of the Notes and/or may delay settlement in respect of the Notes.

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

Index Linked Notes

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

Changes in the value of the index or indices cannot be predicted. Although historical data with respect to the index or indices may be available, the historical performance of the index or indices should not be taken as an indication of future performance.

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

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

Where the Notes are Index Linked Redemption Notes and Disrupted Day is specified as applying in the applicable Final Terms, the Calculation Agent may determine that an event giving rise to a Disrupted Day has occurred at any relevant time. Any such determination may have an effect on the timing of valuation and consequently the value of the Notes and/or may delay settlement in respect of the Notes. Prospective purchasers should review the Terms and Conditions of the Notes and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the level of the index or indices. The level of the index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the index or indices may be traded.

Index Linked Notes are not in any way sponsored, endorsed, sold or promoted by the sponsor of the relevant Index(ices) (the **Sponsor**) and the Sponsor(s) make(s) no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the Index(ices) and/or the figure at which the Index(ices) stands at any particular time on any particular day or otherwise. The Sponsor(s) shall not be liable (whether in negligence or otherwise) to any person for any error in the Index(ices) and the Sponsor(s) shall not be under any obligation to advise any person of an error therein.

Credit Linked Notes

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon whether certain events have occurred in respect of a specified entity (the **Reference Entity**) and, if so, on the value of certain specified assets of the Reference Entity or where, if such events have occurred, on redemption the Issuer's obligation is to deliver certain specified assets (**Credit Linked Notes**).

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

The market price of such Notes may be volatile and will be affected by, amongst other things, the time remaining to the redemption date and the creditworthiness of the Reference Entity which in turn may be affected by the economic, financial and political events in one or more jurisdictions. As at the date of this Prospectus, the secondary market for securities which are sensitive to credit risk is experiencing disruptions resulting from reduced investor demand for such securities. Limited liquidity in the secondary market may have an adverse effect on the market value of credit-linked securities. Consequently, whilst such market conditions persist, investors may not be able to sell Credit Linked Notes readily and the value of such Notes is likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor. It is not known at the current time for how long these market conditions will continue or whether they will worsen.

Where the Notes provide for physical delivery, the Issuer may determine that the specified assets to be delivered are either (a) assets which for any reason (including, without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the delivery of assets which are loans) it is impossible or illegal to deliver on the Settlement Date or (b) assets which the Issuer and/or any affiliate has not received under the terms of any transaction entered into by the Issuer and/or such affiliate to hedge the Issuer's obligations in respect of the Notes. Any such determination may delay settlement in respect of the Notes and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount which, in either case, may affect the value of the Notes and, in the case of payment of a cash amount, will affect the timing of the valuation of such Notes and as a result, the amount of principal payable on redemption. Prospective purchasers should review the Terms and Conditions of the Notes and the applicable Final Terms to ascertain whether and how such provisions should apply to the Notes.

The Issuer's obligations in respect of Credit Linked Notes are irrespective of the existence or amount of the Issuer's and/or any affiliates' credit exposure to a Reference Entity and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

Under the Terms and Conditions of the Credit-Linked Notes, certain determinations in respect of Credit-Linked Notes may be made by reference to announcements, determinations and Resolutions made by ISDA and/or Credit Derivatives Determinations Committees. Such announcements, determinations and Resolutions could affect the redemption and settlement of the Credit-Linked Notes (including the quantum and timing of payments and/or deliveries on redemption).

For the avoidance of doubt, neither the Issuer nor the Calculation Agent shall have any liability to any person for any determinations, redemption, calculations and/or delay or suspension of payments and/or redemption of Credit-Linked Notes resulting from or relating to announcements, publications, determinations and Resolutions made by ISDA and/or any Credit Derivatives Determinations Committees. In relation to Credit-Linked Notes, no DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the Rules and/or any relevant Credit Derivatives Auction Settlement Terms, as applicable, shall be liable to Noteholders. No DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the Rules and/or any relevant Credit Derivatives Auction Settlement Terms is acting as fiduciary for, or as an advisor to, Noteholders.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market value may be more volatile than those for securities that do not include these features. In particular, investors in Inverse Floating Rate Notes and Capped Floating Rate Notes should note the following:

– *Inverse Floating Rate Notes*

  Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate (**LIBOR**). The market value of Inverse Floating Rate Notes typically is more volatile than the market value of other more conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate payable on the Notes, but may also reflect an increase in prevailing interest rates, which may further adversely affect the market value of these Notes.

– *Capped Floating Rate Notes*

  Capped Floating Rate Notes usually have an interest rate equal to the sum of a reference rate such as LIBOR and the specified margin (if any) subject to a maximum specified rate. The maximum amount of interest payable in respect of these Notes will occur when the sum of the reference rate and the specified margin (if any) equals the maximum specified rate. Investors in Capped Floating Rate Notes will therefore not benefit from any increase in the relevant reference rate which, when the specified margin is added to such reference rate, would otherwise cause such interest rate to be exceed the maximum specified rate. The market value of these Notes would therefore typically fall the closer the sum of the relevant reference rate and the margin is to the maximum specified rate.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes relating to the same reference rate. In addition, the new floating rate at any time may be lower than the interest rates payable on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing interest rates payable on its Notes.

Notes issued at a substantial discount or premium

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

Euro-system Eligibility

The European Central Bank maintains and publishes a list of assets which are recognised as eligible collateral for Eurosystem monetary and intra-day credit operations. In certain circumstances, recognition may impact on (among other things) the liquidity of the relevant assets. Recognition (and inclusion on the list) is at the discretion of the Eurosystem and is dependent upon satisfaction of certain Eurosystem eligibility criteria and rules. If application is made for any Notes to be recognised and added to the list of eligible assets, there can be no assurance that such Notes will be so recognised, or, if they are recognised, that they will continue to be recognised at all times during their life.

Calculation Agent's Discretion

Under the Terms and Conditions of the Notes, the Calculation Agent may make certain determinations in respect of the Notes, and certain adjustments to the Terms and Conditions of the Notes, which could affect the amount payable or the assets deliverable by the Issuer in respect of the Notes. The Terms and Conditions of the Notes will specify the circumstances in which the Calculation Agent will be able to make such determinations and adjustments. In exercising its right to make such determinations and adjustments the Calculation Agent is entitled to act in its sole and absolute discretion.

Additional Risk Factors

Additional risk factors in relation to specific issues of Notes may be included in the applicable Final Terms.

General risks related to a particular issue of Notes

No claim against any Reference Item

A Note will not represent a claim against any item (a **Reference Item**) to which the amount of principal and/or interest payable or amount of specified assets deliverable in respect of the Notes is dependent and, in the event that the amount paid by the Issuer or value of the specified assets delivered on redemption of the Notes is less than the principal amount of the Notes, a Noteholder will not have recourse under a Note to any Reference Item.

An investment in Notes linked to one or more Reference Items may entail significant risks not associated with investments in conventional debt securities, including but not limited to the risks set out in this section "Risks related to the structure of a particular issues of Notes". The amount paid or value of the specified assets delivered by the Issuer on redemption of such Notes may be less than the principal amount of the Notes, together with any accrued interest, and may in certain circumstances be zero.

Application of maximum amounts to Reference Items

Notes linked to Reference Item(s) may provide that a maximum amount of interest will be payable or that such Reference Item(s) will be subject to a maximum level or value. In this case, the amount of interest payable on the Notes will be subject to the pre-determined maximum. If the relevant Reference Item(s) out-performs the pre-determined maximum, this will not be taken into consideration when calculating the amount of interest payable on the Notes.

Application of negative spreads to Reference Items

Notes linked to Reference Item(s) may provide that a negative spread will be applied to the relevant Reference Item(s), thereby reducing the value or level of the Reference Item(s) that will be used to determine the amount of interest payable on the Notes. The performance of the relevant Reference Item(s) will, therefore, impact the calculation of the interest payable on the Notes only to a limited extent.

Hedging

In the ordinary course of its business, including without limitation in connection with its market making activities, the Issuer and/or any of its affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in the Reference Item(s) or related derivatives. In addition, in connection with the offering of the Notes, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to the Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer and/or any of its affiliates may enter into transactions in the Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the Notes and which could be adverse to the interests of the relevant Noteholders.

Conflicts of Interest

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Notes that may influence the amount receivable or specified assets deliverable on redemption of the Notes.

The Issuer and, if relevant, any Manager may at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Item that is or may be material in the context of the Notes and may or may not be publicly available to Noteholders. There is no obligation on the Issuer or, if relevant, any Manager to disclose to Noteholders any such information.

The Issuer and/or any of its affiliates may have existing or future business relationships with any Reference Item(s) (including, but not limited to, lending, depositary, risk management, advisory and banking relationships), and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Noteholder.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Agent and the Issuer may, without the consent of Noteholders, agree to (i) any modification (subject to certain specific exceptions) of the Notes, the Receipts or the Coupons or the Amended and Restated Agency Agreement which is not prejudicial to the interests of the Noteholders or (ii) any modification of the Notes, the Receipts, the Coupons or the Amended and Restated Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or proven error or to comply with mandatory provisions of law.

The Issuer (or any previously substituted company from time to time) shall, without the consent of the Noteholders, be entitled at any time to substitute for the Issuer any other company as principal debtor in relation to any Series of Notes subject to certain conditions precedent being satisfied. In addition, the Issuer shall have the right to change the branch through which it is acting for the purposes of any Series of Notes. Upon any such substitution of Issuer or branch, the Terms and Conditions of the Notes will be amended in all consequential respects.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

No Gross Up in respect of Certain Series of Notes

If the applicable Final Terms specify that Condition 11(b) is applicable, the Issuer is not obliged to gross up any payments in respect of the Notes and shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

Taxation

Potential purchasers and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are transferred and/or any asset(s) are delivered.

In addition, it is not possible to predict whether the taxation regime applicable to Notes on the date of purchase or subscription will be amended during the term of the Notes. If such amendments are made, the taxation regime applicable to the Notes may differ substantially from the taxation regime in existence on the date of purchase or subscription of the Notes.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

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

Early Redemption Unwind Costs

Investors should note that, if so specified in the applicable Final Terms, the Early Redemption Amount in respect of certain Series of Notes will include a deduction in respect of Early Redemption Unwind Costs. If the Early Redemption Unwind Costs are stated to be Standard Early Redemption Costs, then such amount will comprise an amount determined by the Calculation Agent equal to the sum of (without duplication) of all costs, expenses (including loss of funding), tax and duties incurred by the Issuer in connection with the redemption of the Notes and the related termination, settlement or re-establishment of any hedge or related trading position.

Public offers

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

In this case, investors who have already paid or delivered subscription monies for the relevant Notes will be entitled to reimbursement of such amounts, but will not receive any interest that may have accrued in the period between their payment or delivery of subscription monies and the reimbursement of the Notes.

Furthermore, under certain circumstances indicated in the relevant Final Terms, the Issuer and/or the other entities specified in the Final Terms may have the right to postpone the closing of the offer period and, if so, the Issue Date of the Notes.

In this case, investors who have paid or delivered subscription monies for the relevant Notes prior to the communication of the postponement of the Issue Date will not receive any interest that would have accrued if the Notes had been issued on the original Issue Date.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

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

If an entity is appointed as market maker or liquidity provider in the secondary market in respect of any Notes, this may, in certain circumstances, affect the price of the Notes in the secondary market.

Exchange rate risks and exchange controls

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

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

The above risks may be increased for currencies of emerging market jurisdictions.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes. Investment in Floating Rate Notes involves the risk that interest rates may vary from time to time, resulting in variable interest payments to Noteholders.

Credit ratings may not reflect all risks

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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) in accordance with the CRA Regulation is not a conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between the publication of the updated ESMA list and certain supervisory measures being taken against the relevant rating agency. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Any decline in the credit ratings of the Issuer may affect the market value of the Notes

The credit ratings of the Issuer are an assessment of its ability to pay its obligations, including those on the Notes. Consequently, actual or anticipated declines in the credit ratings of the Issuer may affect the market value of the Notes.

Legal risks

Legal investment considerations may restrict certain investments

Each prospective purchaser of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. Potential investors should consult with their own tax, legal, accounting and/or financial advisers before considering investing in the Notes.

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

No reliance

A prospective purchaser may not rely on the Issuer, the Managers, if any, or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above. None of the Issuer, the Managers, if any, or any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

Disclaimers

Each type of structured Note will be issued subject to express disclaimers in respect of the risks involved in investing in such Notes. The text of such disclaimers will be set out in full in the applicable Final Terms.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note (if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note (if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 12) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 18 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting

exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Amended and Restated Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 12. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 29 September 2011 and executed by the Issuer.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[THESE NOTES ARE NOT PRINCIPAL PROTECTED. POTENTIAL PURCHASERS OF THESE NOTES SHOULD UNDERSTAND THAT IF A CREDIT EVENT (AS DEFINED HEREIN) OCCURS, THE NOTES WILL BE REDEEMED EARLY AND, IN FULL SETTLEMENT OF THE NOTES, THE ISSUER SHALL PAY OR DELIVER THE ASSET AMOUNT AND/OR CREDIT EVENT REDEMPTION AMOUNT AS THE CASE MAY BE (EACH AS DEFINED HEREIN) (WHICH, AT SUCH TIME, MAY HAVE NO VALUE). ANY PROSPECTIVE PURCHASERS OF THE NOTES, BEFORE INVESTING IN THE NOTE, SHOULD SEE ITEM 33 BELOW.][1]

[POTENTIAL PURCHASERS OF THESE NOTES SHOULD UNDERSTAND THAT THE REPAYMENT OF PRINCIPAL ON THE NOTES IS NOT PROTECTED AND THAT AMOUNTS DUE IN RESPECT OF PRINCIPAL WILL BE DEPENDENT UPON THE PERFORMANCE OF THE COMMODITY(IES) (AS DEFINED HEREIN), AS MORE FULLY SET OUT HEREIN.][2]

[POTENTIAL PURCHASERS OF THESE NOTES SHOULD UNDERSTAND THAT THE REPAYMENT OF PRINCIPAL ON THE NOTES IS NOT PROTECTED AND THAT AMOUNTS DUE IN RESPECT OF PRINCIPAL WILL BE DEPENDENT UPON THE PERFORMANCE OF THE CURRENCY(IES) (AS DEFINED HEREIN), AS MORE FULLY SET OUT HEREIN.][3]

[POTENTIAL PURCHASERS OF THESE NOTES SHOULD UNDERSTAND THAT THE REPAYMENT OF PRINCIPAL ON THE NOTES IS NOT PROTECTED AND THAT AMOUNTS DUE IN RESPECT OF PRINCIPAL WILL BE DEPENDENT UPON THE PERFORMANCE OF THE UNDERLYING EQUITY(IES) (AS DEFINED HEREIN), AS MORE FULLY SET OUT HEREIN.][4]

[POTENTIAL PURCHASERS OF THESE NOTES SHOULD UNDERSTAND THAT THE REPAYMENT OF PRINCIPAL ON THE NOTES IS NOT PROTECTED AND THAT AMOUNTS DUE IN RESPECT OF PRINCIPAL WILL BE DEPENDENT UPON THE PERFORMANCE OF THE INDEX(ICES) (AS DEFINED HEREIN), AS MORE FULLY SET OUT HEREIN.][5]

[POTENTIAL PURCHASERS OF THESE NOTES SHOULD UNDERSTAND THAT THE REPAYMENT OF PRINCIPAL ON THE NOTES IS NOT PROTECTED AND THAT AMOUNTS DUE IN RESPECT OF PRINCIPAL WILL BE DEPENDENT UPON THE PERFORMANCE OF THE FUND(S) (AS DEFINED HEREIN), AS MORE FULLY SET OUT HEREIN.][6]

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1 This wording or any other more appropriate form shall be inserted for Credit Linked Notes in relation to which Principal Protection has not been specified.

2 This wording or any other more appropriate form shall be inserted for Commodity Linked Redemption Notes in relation to which Principal Protection has not been specified.

3 This working or any other more appropriate form shall be inserted for Currency Linked Redemption Notes in relation to which Principal Protection has not been specified.

4 This wording or any other more appropriate form shall be inserted for Equity Linked Redemption Notes in relation to which Principal Protection has not been specified.

5 This wording or any other more appropriate form shall be inserted for Index Linked Redemption Notes in relation to which Principal Protection has not been specified.

6 This wording or any other more appropriate form shall be inserted for Fund Linked Redemption Notes in relation to which Principal Protection has not been specified.

[*Date*]

BANCA IMI S.p.A.
(*incorporated with limited liability in the Republic of Italy*)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the Structured Note Programme

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

(i) in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(ii) in those Public Offer Jurisdictions mentioned in Paragraph 46 of Part A below, provided such person is one of the persons mentioned in Paragraph 46 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.][7]

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.][8]

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7 Consider including this legend where a non-exempt offer of Notes is anticipated.
8 Consider including this legend where only an exempt offer of Notes is anticipated.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 29 September 2011 [and the supplement to the Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/71/EC (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). 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 [as supplemented]. 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 [website] and during normal business hours at the registered office of the Issuer and the specified offices of the Paying Agents.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

[*The purchase of Notes involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth (or incorporated by reference) in the Base Prospectus (including "Risk Factors" on pages 19 to 31 thereof) and these Final Terms.*]

[*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 any other person.*]

[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 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 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. The Issuer is not acting as a fiduciary for or adviser to it in respect of the investment in the Notes.]*

1.	Issuer:		Banca IMI S.p.A.
2.	[(i)]	Series Number:	[ ]
	[(ii)]	Tranche Number:	[ ] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	[(i)]	Series:	[ ]
	[(ii)	Tranche:	[ ]]
5.	Issue Price of Tranche:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*if applicable*]]
6.	(a)	Specified Denominations:	[ ] [ ] (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €1,000 minimum denomination is not required).* *(N.B. Following the entry into force of the 2010 PD Amending Directive on 31 December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1 July 2012) must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of €100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)** *(Note – where multiple denominations above [€50,000] or equivalent are being used the following sample wording should be followed:* *"[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination lower than €50,000 or above [€99,000]")**

			(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed: *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination lower than €100,000 or above [€199,000]")**
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)
7.	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[ ] [*Specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.	Maturity Date:		[*Fixed rate - specify date/Floating rate* - Interest Payment Date falling in or nearest to [*specify month*]] [(the **Scheduled Maturity Date**) [subject as provided in Condition 10(f) [,/and] [Condition 10(g)] [and] [Condition 10(h)] (*Include for Credit Linked Notes*)]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/-[ ] per cent. Floating Rate] [Zero Coupon] [Currency Linked Interest] [Commodity Linked Interest] [Fund Linked Interest] [Index Linked Interest] [Equity Linked Interest] [Non-interest bearing] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Currency Linked Redemption] [Commodity Linked Redemption] [Fund Linked Redemption] [Index Linked Redemption] [Equity Linked Redemption] [Credit Linked] [Partly Paid] [Instalment] [*specify other*]

11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Status of the Notes:	Senior
14.	Tax Gross-Up	[Condition 11(a) applicable]/[Condition 11(b) applicable] (*N.B. Only one of Condition 11(a) and 11(b) should be specified as applicable. If Condition 11(a) is specified as applicable, Condition 6(b) will be applicable. If Condition 11(b) is specified as applicable, Condition 6(b) will not be applicable*)
15.	Method of distribution:	[Syndicated/Non-syndicated/Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 4*)
	(ii)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date]/[*specify other*]. The first Interest Payment Date is [ ]. *(NB: This will need to be amended in the case of long or short coupons)*
	(iii)	Fixed Coupon Amount(s):	[ ] per Calculation Amount *(Applicable to Notes in definitive form)*
	(iv)	Broken Amount(s):	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] *(Applicable to Notes in definitive form)*
	(v)	Day Count Fraction:	[30/360 *or* Actual/Actual (ICMA) *or specify other*] [(*NB: Actual/Actual (ICMA) is normally appropriate for Fixed Rate Notes except for Fixed Rate Notes denominated in U.S. dollars for which 30/360 is normally appropriate)*]
	(vi)	Determination Date(s):	[ ] in each year [*Insert regular Interest Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*

			NB: This will need to be amended in the case of regular Interest Payment Dates which are not of equal duration. NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Specified Period(s)/Specified Interest Payment Date(s):	[ ]. The first Specified Interest Payment Date is [ ].
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(iii)	Additional Business Centre(s):	[ ]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(vi)	Screen Rate Determination:	
		– Reference Rate:	[ ] (*Either LIBOR, EURIBOR or other, although additional information is required if other -including fallback provisions in the Amended and Restated Agency Agreement*)
		– Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
		– Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)

(vii)	ISDA Determination:		
	–	Floating Rate Option:	[ ]
	–	Designated Maturity:	[ ]
	–	Reset Date:	[ ]
(viii)	Margin(s):		[+/-] [ ] per cent. per annum
(ix)	Minimum Rate of Interest:		[ ] per cent. per annum
(x)	Maximum Rate of Interest:		[ ] per cent. per annum
(xi)	Day Count Fraction:		[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360(ISDA) *Other*] (*See General Definitions for alternatives*)
(xii)	Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:		[ ]
18.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Accrual Yield:		[ ] per cent. per annum
(ii)	Reference Price:		[ ]
(iii)	Any other formula/basis of determining amount payable:		[ ]
(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:		[Conditions 6(f)(iii) and 6(i) apply/*specify other*] (*Consider applicable day count fraction if not euro denominated*)
19.	Currency Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the*

			requirements of Annex XII to the Prospectus Directive Regulation will apply.)
	(i)	Formula for calculating interest rate including back up provisions:	[*Give or annex details*]
	(ii)	Calculation Agent:	[*give name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive applies, address*]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(iv)	Provisions for calculating interest where calculation by reference to formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Date(s):	[ ]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Day Centre(s):	[ ]
	(viii)	Minimum Rate of Interest:	[ ] per cent. per annum
	(ix)	Maximum Rate of Interest:	[ ] per cent. per annum
	(x)	Day Count Fraction:	[ ]
	(xi)	Other terms or special conditions:	[ ]
20.	Commodity Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete remaining sub-paragraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(i)	Formula for calculating interest rate including back up provisions:	[*Give or annex details*]
	(ii)	Calculation Agent:	[*give name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive applies, address*]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]

	(iv)	Provisions for calculating interest where calculation by reference to formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Date(s):	[ ]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Day Centre(s):	[ ]
	(viii)	Minimum Rate of Interest:	[ ]
	(ix)	Maximum Rate of Interest:	[ ]
	(x)	Day Count Fraction:	[ ]
	(xi)	Other terms or special conditions:	[ ]
21.	Fund Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete remaining sub-paragraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(i)	Formula for calculating interest rate including back up provisions:	[*Give or annex details*]
	(ii)	Calculation Agent:	[*give name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive applies, address*]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(iv)	Provisions for calculating interest where calculation by reference to formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Date(s):	[ ]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]

	(vii)	Additional Business Day Centre(s):	[ ]
	(viii)	Minimum Rate of Interest:	[ ]
	(ix)	Maximum Rate of Interest:	[ ]
	(x)	Day Count Fraction:	[ ]
	(xi)	Other terms or special conditions:	[ ]
22.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(i)	Formula for calculating interest rate including back up provisions:	[*Give or annex details*]
	(ii)	Calculation Agent:	[*give name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive applies, address*]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(iv)	Provisions for calculating interest where calculation by reference to formula is impossible or impracticable:	[*include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Date(s):	[ ]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Day Centre(s):	[ ]
	(viii)	Minimum Rate of Interest:	[ ] per cent. per annum.
	(ix)	Maximum Rate of Interest:	[ ]
	(x)	Day Count Fraction:	[ ]
	(xi)	Other terms or special conditions:	[ ]

23.	Equity Linked Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete remaining sub-paragraphs of this paragraph)* *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
	(i)	Formula for calculating interest rate including back up provisions:	[*Give or annex details*]
	(ii)	Calculation Agent:	[*give name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive applies, address*]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(iv)	Provisions for calculating interest where calculation by reference to formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(v)	Specified Period(s)/Specified Interest Payment Date(s):	[ ]
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(vii)	Additional Business Day Centre(s):	[ ]
	(viii)	Minimum Rate of Interest:	[ ]
	(ix)	Maximum Rate of Interest:	[ ]
	(x)	Day Count Fraction:	[ ]
	(xi)	Other terms or special conditions:	[ ]

PROVISIONS RELATING TO REDEMPTION

24.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/Principal Protected/*specify other*/see Appendix]

	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[ ]
		(b) Maximum Redemption Amount:	[ ]
	(iv)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.*)
25.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/Principal Protected/*specify other*/see Appendix]
	(iii)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems [and custodians] as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.*)
26.	Final Redemption Amount of each Note		[[ ] per Calculation Amount/Principal Protected/*specify other*/Not Applicable] (*Where Notes are Currency Linked Redemption Notes, Commodity Linked Redemption Notes, Fund Linked Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes specify "Not Applicable" or, as appropriate, "Principal Protected" and complete Items 28, 29, 30, 31, 32 or 33 below, as applicable*) (*N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
27.	(i)	Early Redemption Amount of each Note payable on redemption for taxation reasons, redemption for illegality or on event of default (or, in the case of Index Linked	[[ ]/per Calculation Amount/Principal Protected/ *specify other*] (*N.B. for all Notes attention should be given as to how accrued interest should be included in the computation of the Early*

		Redemption Notes, following an Index Adjustment Event in accordance with Condition 8(b)(ii)(y) or, in the case of Equity Linked Redemption Notes, following certain corporate events in accordance with Condition 9(b)(ii)(B) or, in the case of Credit Linked Notes, following a Merger Event (if applicable)) and/or the method of calculating the same (if required or if different from that set out in Condition 6(f)):	*Redemption Amount (if at all)*)
	(ii)	Early Redemption Unwind Costs:	[Applicable/Not Applicable] [If Applicable: [Standard Early Redemption Unwind *Costs/insert other]*]
28.		Currency Linked Redemption Notes:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Relevant provisions for determining amount of principal payable:	[ ]
	(ii)	Party responsible for making calculations pursuant to Condition 7, if not the Calculation Agent:	[ ]
29.		Commodity Linked Redemption Notes:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Relevant provisions for determining amount of principal payable and/or assets deliverable:	[ ]
	(ii)	Party responsible for making calculations pursuant to Condition 7, if not the Calculation Agent:	[ ]
30.		Fund Linked Redemption Notes:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Relevant provisions for determining amount of principal payable and/or assets deliverable:	[ ]

	(ii)	Party responsible for making calculations pursuant to Condition 7, if not the Calculation Agent:	[ ]
31.	Index Linked Redemption Notes:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Whether the Notes relate to a basket of indices or a single index and the identity of the relevant Index/Indices and details of the relevant sponsors:	[Basket of Indices/Single Index] [(*Give or annex details*)]
	(ii)	Party responsible for making calculations pursuant to Condition 8, if not the Calculation Agent:	[ ]
	(iii)	Exchange(s):	[ ]
	(iv)	Related Exchange(s):	[*specify*/All Exchanges]
	(v)	Redemption Amount:	[*Express per lowest Specified Denomination*/Not Applicable]
		[if Not Applicable:	[Call Index Linked Redemption Notes/Put Index Linked Redemption Notes]]
	(vi)	Valuation Date:	[ ]
	(vii)	Valuation Time:	[Condition 8(c) applies/*other*]
	(viii)	Index Level:	[ ]
	(ix)	Disrupted Day:	[Applicable/Not Applicable] [*If Applicable consider provisions for calculation of the Reference Price if a Disrupted Day occurs included in Condition 8(b)) and if not appropriate insert appropriate provisions*]
	(x)	Multiplier for each Index comprising the basket:	[*Insert details*/Not Applicable]
	(xi)	Other terms or special conditions:	[ ]
32.	Equity Linked Redemption Notes:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Whether the Notes relate to a basket of equity securities or a single equity security (each	[Basket of Underlying Equities/Single Underlying Equity] [*Give or annex details*]

	an **Underlying Equity**) and the identity of the relevant issuer(s) of the Underlying Equity/Equities) (each an Equity Issuer):	
(ii)	Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery:	[Cash Settlement/Physical Delivery/Cash Settlement and/or Physical Delivery] (*If Cash Settlement and/or Physical Delivery is specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply*)
(iii)	Party responsible for making calculations pursuant to Condition 9, if not the Calculation Agent:	[ ]
(iv)	Exchange(s):	[ ]
(v)	Related Exchange(s):	[*specify*/All Exchanges]
(vi)	Potential Adjustment Events:	[Applicable/Not Applicable]
(vii)	De-listing, Merger Event, Nationalisation and Insolvency:	[Applicable/Not Applicable]
(viii)	Tender Offer:	[Applicable/Not Applicable]
(ix)	Redemption Amount:	[*Express per lowest Specified Denomination*/Not Applicable]
	[If Not Applicable:	[Call Equity Linked Redemption Notes/Put Equity Linked Redemption Notes]]
(x)	Valuation Date:	[ ]
(xi)	Valuation Time:	[Condition 9(d) applies/*other*]
(xii)	Strike Price:	[ ]
(xiii)	Exchange Rate:	[Applicable/Not Applicable] [*Insert details*]
(xiv)	Disrupted Day:	[Applicable/Not Applicable] [*If applicable consider provisions for calculation of the Reference Price if a Disrupted Day occurs included in Condition 9(d) and if not appropriate insert appropriate provisions*]
(xv)	Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 9(b)):	[*Insert details*/Not Applicable]
(xvi)	Relevant Assets:	[*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]

	(xvii)	Asset Amount:	[*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]
	(xviii)	Cut-off Date:	[*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]
	(xix)	Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from Terms and Conditions:	[*Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery*]
	(xx)	Trade Date:	[ ]
	(xxi)	Other terms or special conditions:	[ ]
33.	Credit Linked Notes: [*NB: Consider whether definitions included in Conditions are up-to-date*]		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Redemption Amount:	[Express per lowest Specified Denomination]
	(ii)	Trade Date:	[ ]
	(iii)	Party responsible for making calculations and determinations pursuant to Condition 10, if not the Calculation Agent:	[ ]
	(iv)	Calculation Agent City:	[ ]
	(v)	Reference Entity(ies):	[ ]
		Succession Event Backstop Date:	[Applicable/Not Applicable]
	(vi)	Reference Obligation(s):	[ ]
		[The obligation[s] identified as follows:	
		Primary Obligor:	[ ]
		Guarantor:	[ ]
		Maturity:	[ ]
		Coupon:	[ ]
		CUSIP/ISIN:	[ ]]
	(vii)	All Guarantees:	[Applicable/Not Applicable]

(viii)	Credit Events:	[Bankruptcy] [Failure to Pay] [Grace Period Extension [Applicable/Not Applicable]] [If Applicable: Grace Period:[ ]] [Obligation Default] [Obligation Acceleration] [Repudiation/Moratorium] [[Restructuring] – Provisions relating to Multiple Holder Obligation: Condition 10(o) [Applicable/Not Applicable] – Provisions relating to Restructuring Credit Event: Condition 10(n) [Applicable/Not Applicable] – [Restructuring Maturity Limitation and Fully Transferable Obligation [Applicable/Not Applicable]] – [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation [Applicable/Not Applicable]] [*other*]
	Default Requirement:	[ ]
	Payment Requirement:	[ ]
	Credit Event Backstop Date:	[Applicable/Not Applicable]
(ix)	Conditions to Settlement:	Notice of Publicly Available Information [Applicable/Not Applicable] [If Applicable: Public Source(s): [ ]] Specified Number: [ ]]
	Additional Event Determination Date Definitions:	[Applicable/Not Applicable]
(x)	Obligation(s):	
	Obligation Category	
	[*select one only*]*:*	[Payment] [Borrowed Money] [Reference Obligations Only] [Bond] [Loan] [Bond or Loan]

	Obligation Characteristics [*select all of which apply*]:	[Not Subordinated] [Specified Currency: [*specify currency*] [Standard Specified Currencies]] [Not Sovereign Lender] [Not Domestic Currency:] [Domestic Currency means: [*specify currency*]] [Not Domestic Law] [Listed] [Not Domestic Issuance]
	Additional Obligation(s):	[ ]
(xi)	Excluded Obligation(s):	[ ]
(xii)	Settlement Method:	[Cash Settlement/Physical Delivery/Auction Settlement]
	Fallback Settlement Method:	[Cash Settlement/Physical Delivery/Not Applicable]
(xiii)	Accrual of Interest upon Credit Event:	[Applicable/Not Applicable]
(xiv)	Merger Event:	[(a)] Condition 10(l) [Applicable/Not Applicable] (*If Applicable*): (b) [Merger Event Redemption Date: [ ]]
(xv)	Unwind Costs:	[Standard Unwind Costs/*other*/Not Applicable]
(xvi)	Provisions relating to Monoline Insurer to Reference Entity:	[Condition 10(p) [Applicable/Not Applicable]/ [Condition 10(q) [Applicable/Not Applicable]] (*N.B. If applicable, only one of Condition 10(p) and Condition 10(q) should be specified*)
Terms relating to Cash Settlement		
(xvii)	Credit Event Redemption Amount:	[*Express per lowest Specified Denomination*]
(xviii)	Credit Event Redemption Date:	[ ] Business Days
(xix)	Valuation Date:	[Single Valuation Date: [ ] Business Days] [Multiple Valuation Dates: [ ] Business Days; and each [ ] Business Days thereafter. Number of Valuation Dates: [ ]]
(xx)	Valuation Time:	[ ]
(xxi)	Quotation Method:	[Bid/Offer/Mid-market]
(xxii)	Quotation Amount:	[[ ]/Representative Amount]
(xxiii)	[Minimum Quotation Amount:	[ ]]

(xxiv) Quotation Dealers: [ ]

(xxv) Quotations: [Include Accrued Interest/Exclude Accrued Interest]

(xxvi) Valuation Method: [Market/Highest]
[Average Market/Highest/Average Highest]
[Blended Market/Blended Highest]
[Average Blended Market/Average Blended Highest]

(xxvii) Other terms or special conditions: [ ]

Terms relating to Physical Delivery

(xxviii) Physical Settlement Period: [ ] Business Days

(xxix) Asset Amount: [Include Accrued Interest/Exclude Accrued Interest]

(xxx) Settlement Currency: [ ]

(xxxi) Deliverable Obligations:

Deliverable Obligation Category
[*select one only*]: [Payment]
[Borrowed Money]
[Reference Obligations Only]
[Bond]
[Loan]
[Bond or Loan]

Deliverable Obligation Characteristics
[*select all of which apply*]: [Not Subordinated]
[Specified Currency: [*specify currency*]
[Standard Specified Currencies]
[Not Sovereign Lender]
[Not Domestic Currency]
[Domestic Currency means: [*specify currency*]]
[Not Domestic Law]
[Listed]
[Not Contingent]
[Not Domestic Issuance]
[Assignable Loan]
[Consent Required Loan]
[Direct Loan Participation]
[Qualifying Participation Seller: - *insert details*]
[Transferable]
[Maximum Maturity:
[ ]]
[Accelerated or Matured]
[Not Bearer]

Additional Deliverable Obligation(s): [ ]

(xxxii)	Excluded Deliverable Obligation(s):	[ ]
(xxxiii)	Indicative Quotations:	[Applicable/Not Applicable]
(xxxiv)	(Cut-off Date:	[ ]
(xxxv)	Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from Terms and Conditions:	[ ]
(xxxvi)	Other terms or special conditions:	[ ]
(xxxvii)	Auction Credit Event Redemption Amount:	[*Express per Calculation Amount*]/[As specified in Condition 10(m)]
(xxxviii)	Auction Credit Event Redemption Date:	[ ]/[As specified in Condition 10(m)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

34. Form of Notes:

(a)	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] (*N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000l."* *Furthermore, this Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)
(b)	New Global Note:	[Yes/No]

35. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/*give details*]
(*Note that this paragraph relates to the place of payment and not Specified Interest Payment Dates to which sub-paragraphs 17(iii), 19(vi), 20(vi), 21(vi), 22(vii) and 23(vi) relate*)

36.	Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
37.	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 of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. NB: new forms of Global Note may be required for Partly Paid issues*.]
38.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
39.	Redenomination applicable:	Redenomination [not] applicable (*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)
40.	Notice to the Issuer:	[*Insert notice details for delivery of notices to the Issuer if specific notice details are required and Condition 18(c) applies*]
	[Notice Delivery Business Day Centre:	[ ]]
41.	Other final terms:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*.)

DISTRIBUTION

42.	(i)	If syndicated, names [and addresses]*** of Managers [and underwriting commitments]***:	[Not Applicable/*give names* [*and addresses and underwriting commitments*] ***] (*Including names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers and an indication of the material features of the agreements, including, where applicable, the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Also provide an indication of the placing commission*)***

	(ii)	Date of [Subscription] Agreement***:	[ ]
	(iii)	Stabilising Manager (if any):	[Not Applicable/*give name* [*and address, if not provided under paragraph 42(i)*]**]
43.		If non-syndicated, name [and address]*** of relevant Manager, if applicable:	[Not Applicable/Name [*and address*]***]
44.		Total commission and concession**:	[ ] per cent, of the Aggregate Nominal Amount**
45.		US Selling Restrictions:	[Reg. S compliance category: TEFRA D/TEFRA C/TEFRA not applicable]
46.		Non exempt Offer:	[Not Applicable] [An offer of the Notes may be made by the [Issuer/the Managers] [and [*specify names [and addresses] of other financial intermediaries making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by the [Issuer -/the Managers") or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known*]] (together with the Issuer/the Managers, the **Financial Intermediaries**) other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published*)] (**Public Offer Jurisdictions**) during the period from [*specify date*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter*"] (**Offer Period**). See further Paragraph 15 of PART B below.
47.		Additional selling restrictions:	[Not Applicable/*give details*]
48.		Conditions of Offer:	[Not Applicable/Applicable] (*If Conditions of Offer is applicable, information required by article 5 of Annex XII (in the case of Derivative Securities) or Annex V (in the case of Debt Securities), as appropriate, of Regulation (EC) No. 809/2004 to be included here*)

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue and [public offer in the Public Offer Jurisdictions and] admission to trading on [*specify relevant regulated market*] of the Notes described herein pursuant to the Structured Note Programme of Banca IMI S.p.A.]

RESPONSIBILITY

[Subject as set out below, the] [The] Issuer accepts responsibility for the information contained in these Final Terms.

[The information (the **Reference Information**) on the Reference Items is more particularly described in the Annex hereto. The Reference Information consists only of extracts from, or summaries of, information which is publicly available. The Issuer accepts responsibility that the Reference Information has been correctly extracted or summarised. No further or other responsibility (express or implied) in respect of the Reference Information is accepted by the Issuer.]

Signed on behalf of Banca IMI S.p.A.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Gilt Edged and Fixed Interest Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority*)] with effect from [ ].] [*Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading*]
(ii)	Estimate of total expenses related to admission to trading:	[ ]*

2. RATINGS

Ratings:	At the date of these Final Terms, the Issuer is rated *[insert details]* by *[insert credit rating agency name(s)]*. The Notes to be issued [[have been]/[are expected to be]] rated *[insert details]* by *[insert credit rating agency name(s)]*. [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]** (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*) [*[Insert credit rating agency]* is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with such Regulation.] [*[Insert credit rating agency]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended), and it is included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with Regulation (EC) No. 1060/2009 (as amended).]

[*[Insert credit rating agency]* is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended), and it is not included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with such Regulation.]

[*[Insert credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended). However, the application for registration under Regulation (EC) No. 1060/2009 (as amended) of *[insert the name of the relevant EU CRA affiliate that applied for registration]*, which is established in the European Union, disclosed the intention to endorse credit ratings of *[insert credit rating agency]*. *Insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with Regulation (EC) No. 1060/2009 (as amended).]

[*[Insert credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended). The ratings [[have been]/[are expected to be]] endorsed by *[insert the name of the relevant EU-registered credit rating agency]* in accordance with Regulation (EC) No. 1060/2009 (as amended). *[Insert the name of the relevant EU-registered credit rating agency]* is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended), and it is included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with such Regulation.]

[*[Insert credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended), but it [is]/[has applied to be] certified in accordance with such Regulation, [EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with such Regulation] OR: [although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority in accordance with such Regulation]]

[*[Insert credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended), but it has applied to be certified in accordance with such Regulation

3. [NOTIFICATION

The CSSF [has been requested to provide/has provided] the [*names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[[Save for any fees payable to the Managers,] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - *Amend as appropriate if there are other interests. In the event that the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, include a reference to the risk factor "Conflicts of Interest" at page* 27]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)]

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

[(i)	Reasons for the offer:	[ ] (*See "Use of Proceeds" wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)]***
(ii)	Estimated net proceeds:	[ ] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)***
(iii)	Estimated total expenses:	[ ]. [*Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses"*]*** (*If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.*)

6. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ] [Calculated as [*include details of method of calculation in summary form*] on the Issue Date.]** The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. HISTORIC INTEREST RATES (*Floating Rate Notes only*)**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

8. PERFORMANCE OF [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES]] (*Currency Linked Notes only*) ***

[*Need to include details of where past and future performance and volatility of the [relevant rates/formula/currencies] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including the final reference price of the underlying, a statement setting out the type of underlying and details of where information on the underlying can be obtained, a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

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

[*Need to include details of where past and future performance and volatility of [the Commodity] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including the final reference price of the underlying, a statement setting out the type of underlying and details of where information on the underlying can be obtained, a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

10. PERFORMANCE OF [THE FUND], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE FUND]] *(Fund Linked Notes only)* ***

[*Need to include details of where past and future performance and volatility of the [Fund] can be obtained]. [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including the final reference price of the underlying, a statement setting out the type of underlying and details of where information on the underlying can be obtained, a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*] [does not intend to provide post-issuance information].

11. PERFORMANCE OF [INDEX/BASKET OF INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE [INDEX/BASKET OF INDICES]] *(Index Linked Notes only)* ***

[*Need to include details of where past and future performance and volatility of the [index/basket of indices] can be obtained]. [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*]

[*Need to include the name of [the/each] index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about [the/each] index can be obtained.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including the final reference price of the underlying, a statement setting out the type of underlying and details of where information on the underlying can be obtained, a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained* [does not intend to provide post-issuance information].

12. 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)* ***

[*Need to include details of where past and future performance and volatility of the [equity/basket of equities] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*]

[*Need to include the name of the issuer of the [equity/basket of equities] and the ISIN (international security identification number) or other such security identification code. For a basket of equities, need to include the relevant weightings of each underlying in the basket.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including the final reference price of the underlying, a statement setting out the type of underlying and details of where information on the underlying can be obtained, a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained* [does not intend to provide post-issuance information].

13. 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)* ***

[*Need to include details of the Reference Entity and of where information on the Reference Entity can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including the final reference price of the underlying, a statement setting out the type of underlying and details of where information on the underlying can be obtained, a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

14. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
[(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/give name(s) and number(s)]
[(iv)]	Delivery:	Delivery [against/free of] payment
[(v)]	Names and addresses of additional Paying Agent(s) (if any):	[ ]

[(vi)]	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No] [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

15. TERMS AND CONDITIONS OF THE OFFER

Offer Price:	[Issue Price/Not applicable/*specify*]
[Conditions to which the offer is subject:]	[Not applicable/*give details*]
[The time period, including any possible amendments, during which the offer will be open and description of the application process]:	[Not applicable/*give details*]
[Details of the minimum and/or maximum amount of application]:	[Not applicable/*give details*]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]:	[Not applicable/*give details*]
[Details of the method and time limits for paying up and delivering the Notes:]	[Not applicable/*give details*]
[Manner in and date on which results of the offer are to be made public:]	[Not applicable/*give details*]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not applicable/*give details*]
[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:]	[Not applicable/*give details*]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not applicable/*give details*]

[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not applicable/*give details*]

Notes:

* **Delete if minimum denomination is less than €50,000 or, after the implementation of the 2010 PD Amending Directive in the relevant Member State, €100,000 (or its equivalent in the relevant currency as at the date of issue)**

** **Delete if minimum denomination is €50,000 or, after the implementation of the 2010 PD Amending Directive in the relevant Member State, €100,000 (or its equivalent in the relevant currency as at the date of issue)**

*** **Delete if minimum denomination is €50,000 or, after the implementation of the 2010 PD Amending Directive in the relevant Member State, €100,000 (or its equivalent in the relevant currency as at the date of issue) and if the Securities are not Derivative Securities**

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and specified by the Issuer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" *for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Banca IMI S.p.A. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note; and

(iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 29 September 2011 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch in its capacity as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the **applicable Final Terms** are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 29 September 2011 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Agent and the other Paying Agent (such Agents being together referred to as the **Agents**). Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and the specified offices of the Paying Agents and copies may be obtained during normal business hours at the specified office of each of the Agents save that, if this Note is neither listed on a stock exchange nor admitted to trading on any market, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In these Terms and Conditions:

General Definitions

Affiliate means, in relation to any entity (the **First Entity**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "control" means ownership of a majority of the voting power of an entity.

Amortised Face Amount means an amount calculated in accordance with the following formula:

$$\mathrm{RP} \times (1 + \mathrm{AY})^{y}$$

where:

RP means the Reference Price; and

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

Business Day means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and

(b) either:

(i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively); or

(ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

Clearstream, Luxembourg means Clearstream Banking, société anonyme.

Day Count Fraction means:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the relevant Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(iii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iv) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(v) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(vi) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, subject as provided in (B) below:

(A) the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; or

(B) in the case of Fixed Rate Notes only, if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(vii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(viii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and in which case D_2 will be 30.

Determination Period means the period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

Early Redemption Unwind Costs means the amount specified in the applicable Final Terms or if **Standard Early Redemption Unwind Costs** are specified in the applicable Final Terms, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer in connection with the redemption of the Notes and the related termination, settlement or re-establishment of any hedge or related trading position, such amount to be apportioned *pro rata* amongst each nominal amount of Notes equal to the Calculation Amount.

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty.

EURIBOR means the Euro-zone inter-bank offered rate.

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

Euroclear means Euroclear Bank S.A./N.V.

Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Intervening Period means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Asset Amount.

LIBOR means the London inter-bank offered rate.

Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

Luxembourg Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Luxembourg.

Notice Delivery Business Day means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Notice Delivery Business Day Centre specified in the applicable Final Terms.

Payment Day means any day which (subject to Condition 13) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (i) in the case of Notes in definitive form only, the relevant place of presentation;

  (ii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either:

  (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively); or

  (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 3 and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union.

Regulation S means Regulation S under the Securities Act.

Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 18.

Securities Act means the United States Securities Act of 1933, as amended.

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

TARGET2 System means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

Treaty means the Treaty establishing the European Community, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Currency Linked Interest Note, a Commodity Linked Interest Note, a Fund Linked Interest Note, an Index Linked Interest Note, an Equity Linked Interest Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be a Currency Linked Redemption Note, a Commodity Linked Redemption Note, a Fund Linked Redemption Note, an Index Linked Redemption Note, an Equity Linked Redemption Note, a Credit Linked Note, an Instalment Note or a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons and if, applicable, Receipts attached, unless they are Zero Coupon Notes or non-interest bearing Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. REDENOMINATION

Unless otherwise specified in the applicable Final Terms, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 18, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the Exchange Notice) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

(I) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(II) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount,

(vii) and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

(viii) if the Notes are Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes or Equity Linked Interest Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

4. INTEREST

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount, the Specified Denomination and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(b) *Interest on Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes and Equity Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note, Currency Linked Interest Note, Commodity Linked Interest Note, Fund Linked Interest Note, Index Linked Interest Note and Equity Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an Interest Payment Date) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes or Equity Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on LIBOR or EURIBOR, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. 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 Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i)(B)(1) above(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, in order to determine the Rate of Interest, the Agent shall request (in the case of a determination of LIBOR) the principal London office of each of four major banks in the London inter-bank market or (in the case of a determination of EURIBOR), the principal Euro-zone office of each of four major banks in the Euro-zone inter-bank market, in each case selected by the Agent or as specified in the applicable Final Terms, to provide the Agent with its offered

quotation (expressed as a percentage per annum) for the Reference Rate at approximately the time specified in the preceding paragraph on the relevant Interest Determination Date, in accordance with the provisions of the Agency Agreement.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes and Equity Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes and Equity Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes and Equity Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes or Equity Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes or Equity Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note, Index Linked Interest Note, Currency Linked Interest Note, Commodity Linked Interest Note, Fund Linked Interest Note or Equity Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above)

for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes or Equity Linked Interest Notes, are for the time being listed and notice thereof to be published in accordance with Condition 18 as soon as possible after their determination but in no event later than the fourth Luxembourg Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Fund Linked Interest Notes, Index Linked Interest Notes or Equity Linked Interest Notes, are for the time being listed and to the Noteholders in accordance with Condition 18.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as set out in Condition 4(a) or 4(b) above as applicable on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(d) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal and/or delivery of all assets deliverable is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Note have been paid and/or all assets deliverable in respect of such Note have been delivered; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and/or all assets in respect of such Note have been received by any agent appointed by the Issuer to deliver such assets to Noteholders and notice to that effect has been given to the Noteholders in accordance with Condition 18,

provided that, if Condition 10(b), Condition 10(c) or Condition 10(d) applies in respect of the Notes, subject to Condition 10(i), and if:

(A) **Accrual of Interest upon Credit Event** is specified as Not Applicable in the applicable Final Terms, each Note shall cease to bear interest from the Interest Payment Date immediately preceding the Event Determination Date, or if the Event Determination Date is an Interest Payment Date such Interest Payment Date or, if the Credit Event Determination Date falls prior to the first Interest Payment Date, no interest shall accrue on the Notes; or

(B) **Accrual of Interest upon Credit Event** is specified as being Applicable in the applicable Final Terms, each Note shall cease to bear interest from the Event Determination Date; and

provided further that if:

(C) the Notes are redeemed pursuant to Condition 10(f), Condition 10(g) or Condition 10(h); or

(D) Condition 10(i) applies pursuant to an adjustment to, or reversal of, an Event Determination Date,

then interest will accrue as provided in Condition 10(f), Condition 10(g), Condition 10(h) or Condition 10(i), as the case may be.

5. PAYMENTS

(a) *Method of payment*

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11.

(b) *Presentation of definitive Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner

provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Currency Linked Redemption Notes, Commodity Linked Redemption Notes, Fund Lined Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes, Credit Linked Notes or Long Maturity Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 13) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Currency Linked Interest Note, Commodity Linked Interest Note, Fund Linked Interest Note, Index Linked Interest Note, Equity Linked Interest Note, Credit Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) *Payments in respect of Global* Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

(f) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 11;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Credit Event Redemption Amount of the Notes;

(v) the Auction Credit Event Redemption Amount of the Notes;

(vi) the Cash Settlement Amount of the Notes;

(vii) the Optional Redemption Amount(s) (if any) of the Notes;

(viii) in relation to Notes redeemable in instalments, the Instalment Amounts;

(ix) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(x) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes shall be deemed to include, as applicable, delivery of any Asset Amount if so provided in the applicable Final Terms and references to paid and payable shall be construed accordingly.

6. REDEMPTION AND PURCHASE - GENERAL PROVISIONS

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note (unless it is a Currency Linked Redemption Note, a Commodity Linked Redemption Note, a Fund Linked Redemption Note, an Index Linked Redemption Note, an Equity Linked Redemption Note or a Credit Linked Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

If Condition 11(a) is specified as applicable in the applicable Final Terms, the Notes may be redeemed at the option of the Issuer in whole, but not in part at any time (if this Note is not a Floating Rate Note, a Currency Linked Interest Note, a Commodity Linked Interest Note, a Fund Linked Interest Note, an Index Linked Interest Note or an Equity Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note, a Currency Linked Interest Note, a Commodity Linked Interest Note, a Fund Linked Interest Note, an Index Linked Interest Note or an Equity Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 18, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11(a) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision of, or any authority in, or of, the Republic of Italy having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes or laws; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent: (x) a certificate signed by two Directors of the Issuer stating that the relevant requirement referred to in Condition 6(b)(i) above will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer taking reasonable measures available to it; and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

If Condition 11(b) is specified as applicable in the applicable Final Terms, Condition 6(b) shall not apply to the Notes.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified as applicable in the applicable Final Terms, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 18; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a redemption of some only of the Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 18 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 12.

(e) *Redemption for Illegality*

In the event that the Calculation Agent determines in good faith that the performance of the Issuer's obligations under the Notes or that any arrangements made to hedge the Issuer's obligations under the Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than 10 nor more than 30 days' notice to Noteholders in accordance with Condition 18 (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(f) *Early Redemption Amounts*

For the purpose of Condition 6(b), Condition 6(e), Condition 12 and, in the case of Equity Linked Redemption Notes, Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof less, if specified as applicable in the applicable Final Terms, Early Redemption Unwind Costs;

(ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount less, if specified as applicable in the applicable Final Terms, Early Redemption Unwind Costs;

(iii) in the case of a Zero Coupon Note, at the Amortised Face Amount less, if specified as applicable in the applicable Final Terms, Early Redemption Unwind Costs; or

(iv) in the case of a Currency Linked Interest Note, a Currency Linked Redemption Note, a Commodity Linked Interest Note, a Commodity Linked Redemption Note, a Fund Linked Interest Note, a Fund Linked Redemption Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Equity Linked Interest Note, an Equity Linked Redemption Note or a Credit Linked Note, the Early Redemption Amount in respect of each nominal amount of such Notes equal to the Calculation Amount will be determined by reference to the provisions in the applicable Final Terms.

(g) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(f) above.

(h) *Purchases*

The Issuer or any Subsidiary (as defined in the Agency Agreement) of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 12 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in the definition of Amortised Face Amount as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 18.

(k) *Principal Protection*

If the applicable Final Terms specifies Principal Protection then, in the event that the Early Redemption Amount, the Optional Redemption Amount or the Final Redemption Amount, as appropriate, of any Note determined in accordance with these Terms and Conditions would otherwise be less than 100 per cent. of the nominal value of such Note, the Early Redemption Amount, the Optional Redemption Amount or the Final Redemption Amount, as appropriate, of such Note shall be 100 per cent. of its nominal value.

7. CURRENCY LINKED REDEMPTION NOTES, COMMODITY LINKED REDEMPTION NOTES AND FUND LINKED REDEMPTION NOTES

Provisions relating to the redemption of Currency Linked Redemption Notes, Commodity Linked Redemption Notes or Fund Linked Redemption Notes will be set out in the applicable Final Terms.

If Currency Linked Redemption Notes, Commodity Linked Redemption Notes or Fund Linked Redemption Notes become redeemable in accordance with the provisions set out in the applicable Final Terms, following determination of the amount of principal payable and/or assets deliverable, as the case may be, upon the making of such payment or delivery the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The final redemption value of the Notes may be less than the principal amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

8. INDEX LINKED REDEMPTION NOTES

(a) *Redemption of Index Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of the Index Linked Redemption Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Redemption Amount specified in, or determined in the manner specified in the applicable Final Terms on the Maturity Date.

Upon payment of the relevant Redemption Amount in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Redemption Amount may be less than the principal amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(b) *Adjustments to an Index*

(i) Successor Index Sponsor Calculates and Reports an Index

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the **Successor Index**) will be deemed to be the Index.

(ii) Modification and Cessation of Calculation of an Index

If (A) on or prior to the Valuation Date the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an **Index Modification**) or permanently cancels the Index and no Successor Index exists (an **Index Cancellation**), or (B) on the Valuation Date, the Index Sponsor or (if applicable) the successor Index Sponsor fails to calculate and announce a relevant Index (an **Index Disruption** and, together with an Index Modification and an Index Cancellation, each an **Index Adjustment Event**), then:

(x) the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the Reference Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on the Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities/commodities that comprised that Index immediately prior to that Index Adjustment Event; or

(y) the Issuer shall, on giving notice to the Noteholders in accordance with Condition 18, redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

(iii) Notice

Upon the occurrence of an Index Adjustment Event, the Calculation Agent shall give notice as soon as practicable to Noteholders in accordance with Condition 18 giving details of the action proposed to be taken in relation thereto.

(c) *Definitions applicable to Index Linked Redemption Notes*

The definitions applicable to Index Linked Redemption Notes are set out in Annex 1 to these Terms and Conditions.

9. REDEMPTION OF EQUITY LINKED REDEMPTION NOTES

(a) *Redemption of Equity Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of Equity Linked Redemption Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer (A) if Cash Settlement is specified in the applicable Final Terms, by payment of the Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date or (B) if Physical Delivery is specified in the applicable Final Terms, by delivery of the Asset Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date (subject as provided below) or (C) if Cash Settlement and/or Physical Delivery is specified in the applicable Final Terms, by payment of the Redemption Amount and/or by delivery of the Asset Amount on the terms set out in the applicable Final Terms, in each case on the Maturity Date (subject as provided below).

Upon payment of the relevant Redemption Amount (if Cash Settlement is specified in the applicable Final Terms) or Delivery of the relevant Asset Amount (if Physical Delivery is specified in the applicable Final Terms) or payment of the relevant Redemption Amount and/or delivery of the relevant Asset Amount (if Cash Settlement and/or Physical Delivery is specified in the applicable Final Terms), the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Redemption Amount, Asset Amount or Redemption Amount and/or Asset Amount, as the case may be, may be less than the principal amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(b) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency and Adjustments for Equity Linked Redemption Notes in respect of Underlying Equities quoted in European Currencies*

(i) If Potential Adjustment Events are specified as applying in the applicable Final Terms, then following the declaration by an Equity Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the Underlying Equities and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying Equity) and (ii) determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Underlying Equities traded on that options exchange.

Upon making any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 18, stating the adjustment to the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

(ii) If (x) De-listing, Merger Event, Nationalisation and Insolvency is specified as applying in the applicable Final Terms and/or (y) Tender Offer is specified as applying in the applicable Final Terms, if (in the case of (x)) a De-listing, Merger Event, Nationalisation or Insolvency occurs or (in the case of (y)) a Tender Offer occurs, in each case, in relation to an Underlying Equity, the Issuer in its sole and absolute discretion may:

(A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account for the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment; or

(B) by giving notice to the Noteholders in accordance with Condition 18, redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

If the provisions of Condition 9(b)(ii)(A) apply, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, made by an options exchange to options on the Underlying Equities traded on that options exchange.

Upon the occurrence (if applicable) of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 18 stating the occurrence of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

(iii) In respect of Equity Linked Redemption Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange or, where no Exchange is specified in the applicable Final Terms, the principal market on which those Underlying Equities are traded, then the Calculation Agent will adjust any one or more of the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent determines in its sole and absolute discretion to be appropriate to preserve the economic terms of the Notes. The Calculation Agent will make any conversion necessary for purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition 9(b)(iii) will affect the currency denomination of any payment obligation arising out of the Notes.

(c) *Physical Delivery*

(i) If any Equity Linked Redemption Note is to be redeemed by delivery of the Asset Amount, in order to obtain delivery of the Asset Amount(s) in respect of such Note:

(A) if such Note is represented by a Global Note, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice; and

(B) if such Note is in definitive form, the relevant Noteholder must deliver to any Paying Agent, with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such Note is in definitive form, in writing or by tested telex.

If this Note is in definitive form, this Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

(1) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out in the applicable Final Terms;

(2) in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Noteholder's account with such Notes on or before the Delivery Date;

(3) include an undertaking to pay all Delivery Expenses and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;

(4) specify an account to which dividends (if any) payable pursuant to this Condition 9(c) or any other cash amounts specified in the applicable Final Terms as being payable are to be paid; and

(5) authorise the production of such notice in any applicable administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by Euroclear or Clearstream, Luxembourg or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

In the case of Notes represented by a Global Note, upon receipt of such notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person specified therein as the Noteholder is the holder of the specified nominal amount of Notes according to its books.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Notes represented by a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder and, in the case of Notes in definitive form, by the relevant Paying Agent after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Delivery of the Asset Amount in respect of each Note shall be made at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Final Terms.

In relation to each Note which is to be redeemed by delivery of the Asset Amount, the Asset Amount will be delivered at the risk of the relevant Noteholder, in the manner provided above on the Maturity Date (such date, subject to adjustment in accordance with this Condition, the **Delivery Date**), provided that the Asset Transfer Notice is duly delivered to Euroclear, Clearstream, Luxembourg or a Paying Agent, as the case may be, with a copy to the Issuer, as provided above, not later than the close of business in each place of receipt on the Cut-Off Date specified in the applicable Final Terms.

If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to the Issuer, not later than the close of business in each place of receipt on the Cut-Off Date, then the Asset Amount will be delivered as soon as practicable after the Maturity Date (in which case, such date of delivery shall be the Delivery Date) at the risk of such Noteholder in the manner provided above. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the originally designated Delivery Date and no liability in respect thereof shall attach to the Issuer.

(ii) All Delivery Expenses arising from the delivery of the Asset Amount in respect of such Notes shall be for the account of the relevant Noteholder and no delivery of the Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

After delivery of the Asset Amount and for the Intervening Period, none of the Issuer, the Calculation Agent nor any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations.

If, prior to the delivery of the Asset Amount in accordance with this Condition, a Settlement Disruption Event is subsisting, then the Delivery Date in respect of such Note shall be postponed until the date on which no Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Noteholder, in accordance with Condition 18. Such Noteholder shall not be entitled to any payment, whether of interest or otherwise, on such Note as a result of any delay in the delivery of the Asset Amount pursuant to this paragraph. Where delivery of the Asset Amount has been postponed as provided in this paragraph the Issuer shall not be in breach of these Terms and Conditions and no liability in respect thereof shall attach to the Issuer.

For so long as delivery of the Asset Amount in respect of any Note is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election (the **Election Notice**) is given to the Noteholders in accordance with Condition 18. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 18.

Where the Asset Amount is, in the determination of the Issuer, an amount other than an amount of Relevant Assets capable of being delivered, the Noteholders will receive an Asset Amount comprising of the nearest number (rounded down) of Relevant Assets capable of being delivered by the Issuer (taking into account that a Noteholder's entire holding may be aggregated at the Issuer's discretion for the purpose of delivering the Asset Amounts), and an amount in the Specified Currency which shall be the value of the amount of the Relevant Assets so rounded down, as calculated by the Calculation Agent in its sole discretion from such source(s) as it may select (converted if necessary into the

Specified Currency by reference to such exchange rate as the Calculation Agent deems appropriate). Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 18.

For the purposes of the Notes (i) the Issuer shall be under no obligation to register or procure the registration of any Noteholder or any other person as the registered shareholder in the register of members of any Equity Issuer, (ii) the Issuer shall not be obliged to account to any Noteholder or any other person for any entitlement received or that is receivable in respect of any Underlying Equities comprising the Asset Amount in respect of any Note if the date on which the Underlying Equities are first traded on the Relevant Exchange ex such entitlement is on or prior to the Maturity Date and (iii) any interest, dividend or other distribution in respect of any Asset Amount will be payable to the party that would receive such interest, dividend or other distribution according to market practice for a sale of the relevant Underlying Equity executed on the Delivery Date and to be delivered in the same manner as the Asset Amount. Any such interest, dividend or other distribution to be paid to a Noteholder shall be paid to the account specified in the relevant Asset Transfer Notice.

(d) *Definitions applicable to Equity Linked Redemption Notes*

The definitions applicable to Equity Linked Redemption Notes are set out in Annex 2 to these Terms and Conditions.

10. CREDIT LINKED NOTES

(a) *Redemption of Credit Linked Notes*

Unless (i) previously redeemed or purchased and cancelled, or (ii) the Conditions to Settlement have been satisfied and the related Event Determination Date has not been reversed on or prior to the Scheduled Maturity Date, or (iii) Condition 10(h) applies, subject to Conditions 10(e) and 10(s), each nominal amount of Credit Linked Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer by payment of the Redemption Amount on the Maturity Date.

If the Conditions to Settlement are satisfied on or prior to the Scheduled Maturity Date or, if Condition 10(h) applies, the Observation Cut-Off Date, and the related Event Determination Date has not been reversed on or prior to the Scheduled Maturity Date or Observation Cut-Off Date, as applicable, then (i) if Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or if Cash Settlement is specified as the Fallback Settlement Method and Condition 10(d) requires that the Issuer redeem the Notes in accordance with Condition 10(b)), the provisions of Condition 10(b) shall apply, or (ii) if Physical Delivery is specified as the Settlement Method in the applicable Final Terms (or if Physical Delivery is specified as the Fallback Settlement Method and Condition 10(d) requires that the Issuer redeem the Notes in accordance with Condition 10(c)), the provisions of Condition 10(c) shall apply, or (iii) if Auction Settlement is specified as the Settlement Method in the applicable Final Terms, the provisions of Condition 10(d) shall apply.

(b) *Cash Settlement*

If (i) Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or if Cash Settlement is specified as the Fallback Settlement Method and Condition 10(d) requires that the Issuer redeem the Notes in accordance with this Condition 10(b)) and (ii) the Conditions to Settlement are satisfied on or prior to the Scheduled Maturity Date or, if Condition 10(h) applies, the Observation Cut-Off Date, and the related Event Determination Date has not been reversed on or prior to the Scheduled Maturity Date or Observation Cut-Off Date, as applicable, then subject to Condition 10(e), the Issuer shall give notice (such notice a **Settlement Notice**) to the Noteholders in accordance with Condition 18 and redeem all but not some only of the Notes on the Credit Event Redemption Date, each nominal amount of Credit-Linked Notes equal to the Calculation Amount being redeemed by the Issuer at the Credit Event Redemption Amount specified in, or

determined in the manner specified in, the applicable Final Terms. For the avoidance of doubt, an Event Determination Date and satisfaction of the Conditions to Settlement may occur at any time on or prior to the Scheduled Maturity Date or the Observation Cut-Off Date, as applicable, notwithstanding that the Settlement Notice may be given after satisfaction of the Conditions to Settlement, and in some cases significantly later. Unless otherwise stated in the applicable Final Terms or the relevant Credit Event is a Restructuring, the Conditions to Settlement may only be satisfied on one occasion and consequently an Event Determination Date may only occur and a Settlement Notice may only be delivered on one occasion.

If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(b), upon payment of the Credit Event Redemption Amount in respect of the Notes the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the principal amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(c) *Physical Settlement*

If (i) Physical Delivery is specified as the Settlement Method in the applicable Final Terms (or if Physical Settlement is specified as the Fallback Settlement Method and Condition 10(d) requires that the Issuer redeem the Notes in accordance with this Condition 10(c)) and (ii) the Conditions to Settlement are satisfied on or prior to the Scheduled Maturity Date or, if Condition 10(h) applies, the Observation Cut-Off Date, and the related Event Determination Date has not been reversed on or prior to the Scheduled Maturity Date or Observation Cut-Off Date, as applicable, then the Issuer shall give notice (such notice a **Notice of Physical Settlement**) to the Noteholders in accordance with Condition 18 and subject to Condition 10(e), redeem all but not some only of the Notes, each nominal amount of Credit Linked Notes equal to the Calculation Amount being redeemed by Delivery of the Deliverable Obligations comprising the Asset Amount, in accordance with and subject to Condition 10(i). For the avoidance of doubt, an Event Determination Date and satisfaction of the Conditions to Settlement may occur at any time on or prior to the Scheduled Maturity Date or the Observation Cut-Off Date, as applicable, notwithstanding that the Notice of Physical Settlement may be given later and in some cases significantly later.

In the Notice of Physical Settlement the Issuer shall specify the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Asset Amount, irrespective of their market value.

If "Restructuring Maturity Limitation and Fully Transferable Obligation" is specified as applicable in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.

If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applying in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount 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.

If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(c), upon Delivery of the Deliverable Obligations comprising the Asset Amount and/or payment of the Cash Settlement Amount, as the case may be, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The aggregate value of such Deliverable Obligations and/or the Cash Settlement Amount may be less than the principal amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(d) *Auction Settlement*

If (i) Auction Settlement is specified as the Settlement Method in the applicable Final Terms, (ii) the Conditions to Settlement are satisfied on or prior to the Scheduled Maturity Date or, if Condition 10(h) applies, the Observation Cut-Off Date, and the related Event Determination Date has not been reversed on or prior to the Scheduled Maturity Date or Observation Cut-Off Date, as applicable, and (iii) an Auction Final Price Determination Date occurs with respect to an Applicable Auction, then the Issuer shall give notice (such notice, an **Auction Settlement Notice**) to the Noteholders in accordance with Condition 18 and, subject to Condition 10(e), redeem all but not some only of the Notes on the Auction Credit Event Redemption Date, each Note being redeemed by the Issuer at the Auction Credit Event Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms. Without prejudice to the foregoing, but without duplication of settlement, if the Calculation Agent determines with respect to any relevant Applicable Request, Applicable Resolution and/or Applicable Auction, that (i) an Auction Cancellation Date has occurred, (ii) a No Auction Announcement Date has occurred, (iii) ISDA has publicly announced that a relevant Credit Derivatives Determinations Committee has Resolved, following a relevant Credit Event Resolution Request Date, not to determine whether or not an event constitutes a Credit Event, or (v) an Event Determination Date was determined pursuant to sub-paragraph (i) of the definition of Event Determination Date and no relevant Credit Event Resolution Request Date has occurred within three Business Days of such Event Determination Date, the Issuer shall, subject to the occurrence of a Credit Event and satisfaction of the Conditions to Settlement, notwithstanding that Auction Settlement is specified as applicable in the relevant Final Terms, redeem each Note in accordance with Condition 10(b) if Cash Settlement is specified in the applicable Final Terms as the Fallback Settlement Method or in accordance with Condition 10(c) if Physical Settlement is specified in the applicable Final Terms as the Fallback Settlement Method.

For the avoidance of doubt, an Event Determination Date and satisfaction of the Conditions to Settlement may occur at any time on or prior to the Scheduled Maturity Date or the Observation Cut-Off Date, as applicable, notwithstanding that the Auction Settlement Notice may be given later, and in some cases significantly later. Unless otherwise stated in the applicable Final Terms or the relevant Credit Event is a Restructuring, the Conditions to Settlement may only be satisfied on one occasion and consequently an Event Determination Date may only occur and an Auction Settlement Notice may only be delivered on one occasion.

If the Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(d), upon payment of the Auction Credit Event Redemption Amounts in respect of the Notes the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Auction Credit Event Redemption Amount may be less than the nominal amount of the Notes equal to the Calculation Amount. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(e) *Redemption Suspension*

If, following the determination of an Event Determination Date in accordance with sub paragraph (i) of the definition of Event Determination Date but prior to the Settlement Date, a Delivery Date or, to the extent applicable, a Valuation Date, the Calculation Agent determines that a Suspension Event has occurred, the timing requirements of Condition 10 relating to Settlement Dates, Delivery Dates, the Physical Settlement Period, Valuation Dates, Credit Event Redemption Date(s), as applicable, or any other provision that pertains to redemption and settlement of the Notes, shall toll and remain suspended until the Suspension Event Cessation Date. The relevant timing requirements and redemption and settlement provisions, as applicable, that have previously tolled or been suspended shall resume on the Business Day following the relevant Suspension Event Cessation Date with the benefit of the full day notwithstanding when the tolling or suspension began in accordance with this Condition 10(e). Without prejudice to any amounts payable pursuant to Condition 10(i), no additional amounts shall be payable by the Issuer in connection with any such suspension.

(f) *Repudiation/Moratorium Extension*

Where Repudiation/Moratorium is specified as a Credit Event in the applicable Final Terms, the provisions of this Condition 10(f) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or, Condition 10(h) applies, and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium may or will, in the sole determination of the Calculation Agent, fall after the Scheduled Maturity Date, then the Calculation Agent shall notify the Noteholders in accordance with Condition 18 that a Potential Repudiation/Moratorium has occurred. If the Repudiation/Moratorium Extension Condition is satisfied and an Event Determination Date does not occur on or prior to the final day of the Notice Delivery Period:

(i) provided that there are no other Maturity Date Extension Events outstanding as at the Repudiation/Moratorium Evaluation Date, each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer by payment of the Redemption Amount on the second Business Day following the Repudiation/Moratorium Evaluation Date; and

(ii) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date (or if none, the Interest Commencement Date) to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the second Business Day following the Repudiation/Moratorium Evaluation Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay.

(g) *Grace Period Extension*

If "Grace Period Extension" is specified as applicable in the applicable Final Terms, the provisions of this Condition 10(g) shall apply:

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then:

(i) where an Event Determination Date in respect of the Failure to Pay does not occur on or prior to the last day of the Notice Delivery Period:

(A) provided that there are no other Maturity Date Extension Events outstanding as at the Grace Period Extension Date, each nominal amount of Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer by payment of the Redemption Amount on the Grace Period Extension Date; and

(B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date (or if none the Interest Commencement Date) to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or

(ii) where a Failure to Pay has occurred on or prior to the last day of the Notice Delivery Period the provisions of Condition 10(b), Condition 10(c) or Condition 10(d), as applicable, shall apply to the Notes.

(h) *Maturity Date Extension*

If on the Scheduled Maturity Date the Calculation Agent determines that on or prior to such date:

(i) a Potential Repudiation/Moratorium may have occurred;

(ii) a Potential Failure to Pay may have occurred;

(iii) an Applicable Request has been made on or prior to such date in respect of which an Applicable Resolution has not been published; or

(iv) without duplication, in the opinion of the Calculation Agent, a Credit Event may have occurred in relation to which the Conditions to Settlement have not been satisfied (such Credit Event, a **Postponement Credit Event**), and

in each case, in respect of which an Event Determination Date has not occurred as at the Scheduled Maturity Date (each such event a **Maturity Date Extension Event**), the Calculation Agent may notify the Noteholders in accordance with Condition 18 that the Notes will not be redeemed on the Scheduled Maturity Date. In such circumstances, each nominal amount of the Credit Linked Notes equal to the Calculation Amount will be redeemed as follows:

(I) with respect to a Potential Repudiation/Moratorium, in accordance with Condition 10(f), unless an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 10(i), in which case each nominal amount of the Credit Linked Notes equal to the Calculation Amount shall be redeemed pursuant to Condition 10(b) or 10(c) or 10(d), as applicable;

(II) with respect to a Potential Failure to Pay, in accordance with Condition 10(g), unless an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 10(i), in which case each nominal amount of the Credit Linked Notes equal to the Calculation Amount shall be redeemed pursuant to Condition 10(b), 10(c) or 10(d), as applicable; or

(III) with respect to an Applicable Request or a Postponement Credit Event, if an Event Determination Date occurs on or prior to the Observation Cut-Off Date and is not reversed pursuant to Condition 10(i), in accordance with Condition 10(b), 10(c) or 10(d), as applicable; or

(IV) with respect to an Applicable Request or a Postponement Credit Event, if an Event Determination Date does not occur on or prior the Observation Cut-Off Date or an Event Determination Date is reversed pursuant to Condition 10(i), subject to Condition 10(s) and provided that there are no other Maturity Date Extension Events outstanding as at the Observation Cut-Off Date, each nominal amount of the Credit Linked Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount on the second Business Day following the Observation Cut-Off Date (the **Postponed Maturity Date**) and

(V) in the case of interest bearing Notes only, the Issuer shall, without duplication and without prejudice to Condition 10(i), be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date (or if none the Interest Commencement Date) to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Postponed Maturity Date and no further or other

amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay.; or

A Maturity Date Extension Event will be deemed to be outstanding on any date, if the period specified in (I), (II)(III) or (IV)(V) in respect of the relevant Maturity Date Extension Event in which an Event Determination Date may occur has not expired as at such date.

(i) *Reversals and adjustments to Event Determination Dates*

(i) Notwithstanding anything to the contrary herein, no Event Determination Date will occur, and any Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, ISDA publicly announces prior to the Auction Final Price Determination Date in respect of an Applicable Auction, a Valuation Date, the Settlement Date (or, if earlier, a Delivery Date), or the Observation Cut-Off Date, as applicable, that the relevant Credit Derivatives Determinations Committee has Resolved that an event does not constitute a Credit Event with respect to the relevant Reference Entity or Obligation thereof and the Calculation Agent determines that such Resolution is an Applicable Resolution.

(ii) Notwithstanding anything to the contrary in these Conditions, following the determination of an Event Determination Date, if, in accordance with Condition 10(i)(i):

(A) such Event Determination Date is deemed to have occurred on a date that is earlier than the date originally determined to be the Event Determination Date:

(I) if the Notes are redeemed pursuant to Condition 10(b) or 10(d), an amount equal to the relevant EDD Adjustment Amount (if any) shall be deducted to the fullest extent possible from the Credit Event Redemption Amount or Auction Credit Event Redemption Amount, as applicable; or

(II) if the Notes are redeemed pursuant to Condition 10(c), Deliverable Obligations (rounded up to the nearest whole number or denomination or other minimum amount in which the relevant Deliverable Obligations comprising the Asset Amount may be Delivered) with an Outstanding Principal Balance or Due and Payable Amount (rounded up to the nearest whole number or denomination or other minimum amount in which the relevant Deliverable Obligations may be Delivered), as applicable, equal to (or, where rounding upwards applies, greater than) the relevant EDD Adjustment Amount (if any) as of the relevant Delivery Date, as determined by the Calculation Agent in its sole and absolute discretion, shall be deducted to the fullest extent possible from the Asset Amount (or deducted from the Cash Settlement Amount payable pursuant to Condition 10(k), if applicable). If the Outstanding Principal Balance or Due and Payable Amount or Deliverable Obligations so deducted is, due to rounding, greater than the relevant EDD Adjustment Amount, the Issuer shall pay an amount determined by the Calculation Agent in its sole and absolute discretion to Noteholders as soon as reasonably practicable in respect of the excess portion of such Deliverable Obligations; or

(B) such Event Determination Date is deemed not to have occurred, notwithstanding Condition 4(d) each Note shall recommence to accrue interest (in accordance with Condition 4) from the Interest Payment Date (the **Interest Recommencement Date**) immediately following the announcement of the Resolution described in Condition 10(i)(i) and an amount equal to the Additional EDD Interest Amount shall be payable on such Interest Recommencement Date.

(j) *Physical Delivery*

(i) If any Credit Linked Note is to be redeemed by Delivery of the Deliverable Obligations comprising the Asset Amount, subject to Conditions 10(e) and 10(i), in order to obtain Delivery of the Deliverable Obligations comprising the Asset Amount(s) in respect of any Note:

(A) if such Note is represented by a Global Note, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice; and

(B) if such Note is in definitive form, the relevant Noteholder must deliver to any Paying Agent, with a copy to the Issuer, not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such Note is in definitive form, in writing or by tested telex.

If the Note is in definitive form, the Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

(1) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the Delivery of the Deliverable Obligations comprising the Asset Amount and any details required for Delivery of the Deliverable Obligations comprising the Asset Amount set out in the applicable Final Terms;

(2) in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Noteholder's account with such Notes on or before the Settlement Date;

(3) include an undertaking to pay all Delivery Expenses and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;

(4) specify an account to which any amounts payable pursuant to Condition 10(k) or any other cash amounts specified in the applicable Final Terms as being payable are to be paid; and

(5) authorise the production of such notice in any applicable administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by Euroclear or Clearstream, Luxembourg, the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

In the case of Notes represented by a Global Note, upon receipt of such notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person specified therein as the Noteholder is the holder of the specified nominal amount of Notes according to its books.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Notes represented by a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder and, in the case of Notes in definitive form, by the relevant Paying Agent after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Delivery of the Deliverable Obligations comprising the Asset Amount in respect of each Note shall be made at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Final Terms.

If a Noteholder fails to give an Asset Transfer Notice as provided herein on or prior to the Cut-Off Date specified in the applicable Final Terms, the Issuer will, subject as provided above, Deliver the Deliverable Obligations comprising the Asset Amount in respect of the relevant Notes as soon as practicable after the receipt of the duly completed Asset Transfer Notice, provided that if, in respect of a Note, a Noteholder fails to give an Asset Transfer Notice prior to the day falling 180 calendar days after the Cut-Off Date, the Issuer's obligations in respect of such Notes shall be discharged and the Issuer shall have no liability in respect thereof.

(ii) All Delivery Expenses arising from the Delivery of the Deliverable Obligations comprising the Asset Amounts in respect of such Notes shall be for the account of the relevant Noteholder and no Delivery of the Deliverable Obligations comprising the Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

After Delivery of the Deliverable Obligations comprising an Asset Amount and for the Intervening Period, none of the Issuer, the Calculation Agent nor any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the securities or obligations included in such Asset Amount, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations included in such Asset Amount or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations included in such Asset Amount.

(iii) In relation to each Deliverable Obligation constituting an Asset Amount the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation as provided below on the Settlement Date provided that if all or some of the Deliverable Obligations included in such Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 30th Business Day following the Settlement Date (the **Final Delivery Date**), provided further that if all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date the provisions of Condition 10(k) shall apply.

(k) *Partial Cash Settlement*

If all or a portion of the Undeliverable Obligations or Hedge Disruption Obligations comprising the Asset Amount are not Delivered by the Final Delivery Date, the Issuer shall give notice (a **Cash Settlement Notice**) to the Noteholders in accordance with Condition 18 and the Issuer shall pay in respect of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, the Cash Settlement Amount on the Cash Settlement Date.

In the Cash Settlement Notice the Issuer must give details of why it is unable to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

Unless otherwise specified in the applicable Final Terms, for the purposes of this Condition 10(k) the following terms are deemed to have the following meanings:

Cash Settlement Amount is deemed to be, for each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, multiplied by (B) the Final Price with respect to such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, less (C) Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Asset Amount), and (ii) zero.

Cash Settlement Date is deemed to be the date falling three Business Days after the calculation of the Final Price.

Indicative Quotation means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

Market Value means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the same highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotations remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the applicable Final Terms and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (ii) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if fewer than two Full Quotations are obtained, no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Market Value shall be any Full Quotation obtained from

a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

Quotation means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the applicable Final Terms, each Indicative Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

(i) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the applicable Final Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.

(ii) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the applicable Final Terms, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

(iii) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.

(iv) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price.

Quotation Amount is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

Quotation Method is deemed to be Bid.

Reference Obligation is deemed to be each Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

Valuation Method is deemed to be Highest unless fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case "Valuation Method" is deemed to be Market.

Valuation Time is the time specified as such in the applicable Final Terms, or, if no time is so specified, 11:00 a.m. in the principal trading market for the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

Weighted Average Quotation means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

(l) *Redemption following a Merger Event*

If Condition 10(l) is specified as applicable in the applicable Final Terms, in the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with Condition 18 and redeem the Notes at the Early Redemption Amount on the Merger Event Redemption Date.

(m) *Definitions applicable to Credit Linked Notes*

The definitions applicable to Credit Linked Notes are set out in Annex 3 to these Terms and Conditions.

(n) *Credit Event Notice after Restructuring Credit Event*

If Condition 10(n) is specified as applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in these Terms and Conditions, upon the occurrence of a Restructuring Credit Event during the Notice Delivery Period:

(a) the Calculation Agent may deliver a Credit Event Notice in respect of an amount (the **Partial Redemption Amount**) that is less than the principal amount outstanding of each Note immediately prior to the delivery of such Credit Event Notice. In such circumstances the provisions of Condition 10 shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).

(b) For the avoidance of doubt (i) the principal amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the principal amount outstanding of such Note as provided in Condition 4 (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate) and (ii) the provisions of Condition 10 shall apply to such principal amount outstanding of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event.

(c) If the provisions of this Condition 10(n) apply in respect of the Notes, on redemption of part of each such Note the relevant Note or, if the Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.

(o) *Provisions relating to Multiple Holder Obligation*

If Condition 10(o) is specified as applicable in the applicable Final Terms, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in sub-paragraphs (i) to (v) of the definition of "Restructuring" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

Multiple Holder Obligation means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event; provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in (ii).

(p) *Provisions taken from the ISDA supplement titled "Additional Provisions - Monoline Insurer as Reference Entity (May 2003)"*

If Condition 10(p) is specified as applicable in the applicable Final Terms, the following provisions will apply:

(a) Obligation and Deliverable Obligation. Paragraph (a) of the definition of "Obligation" in the definitions referred to in Condition 10(m) and paragraph (a) of the definition of "Deliverable Obligation" in the definitions referred to in Condition 10(m) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee".

(b) Interpretation of Provisions. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, paragraph (B)(4) of the definition of "Deliverable Obligation" in the definitions referred to in Condition 10(m) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:

(i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms "obligation" and "obligor" as used in this Condition 10 in respect of such an Insured Instrument shall be construed accordingly;

(ii) references in the definitions of Assignable Loan and Consent Required Loan to "the guarantor" and "guaranteeing" shall be deemed to include "the insurer" and "insuring", respectively;

(iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;

(iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and

(v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "Outstanding Principal Balance" shall mean the outstanding Certificate Balance and "maturity", as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

(c) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 10(p) is applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies.

(d) Deliver. For the purposes of the definition of "Deliver" in the definitions referred to in Condition 10(m), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and "Delivery" and "Delivered" will be construed accordingly.

(e) Provisions for Determining a Successor. The paragraph commencing "For the purposes of this definition of "Successor" ..." in the definition of "Successor" in the definitions referred to in Condition 10(m) is hereby amended by adding "or insurer" after "or guarantor".

(f) Substitute Reference Obligation. The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in the definitions referred to in Condition 10(m) is hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee". For purposes of sub-paragraph (a)(ii)(B) the definition of "Substitute Reference Obligation" references to "the Qualifying Guarantee" and the "Underlying Obligation" shall be deemed to include "the Qualifying Policy" and "the Insured Instrument", respectively.

(g) Other Provisions. For purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" and the definitions of "Credit Event" and "Deliver" in the definitions referred to in Condition 10(m) references to "the Underlying Obligation" and "the Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.

(h) Additional Definitions.

Qualifying Policy means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 10(p)) (the **Insured Instrument**) for which another party (including a special purpose entity or trust) is the obligor (the **Insured Obligor**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments).

Instrument Payments means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 10(p)(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

Certificate Balance means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

(q) *Provisions taken from the ISDA supplement titled "Additional Provisions - Monoline Insurer as Reference Entity (May 2005)"*

If Condition 10(q) is specified as applicable in the applicable Final Terms, the following provisions will apply:

(a) Obligation and Deliverable Obligation. Paragraph (a) of the definition of "Obligation" in the definitions referred to in Condition 10(m) and paragraph (a) of the definition of "Deliverable Obligation" in the definitions referred to in Condition 10(m) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee".

(b) Interpretation of Provisions. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, the terms of paragraph (B)(4) of the definition of "Deliverable Obligation" in the definitions referred to in Condition 10(m) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:

(i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms "obligation" and "obligor" as used in this Condition 10 in respect of such an Insured Instrument shall be construed accordingly;

(ii) references in the definitions of Assignable Loan and Consent Required Loan to "the guarantor" and "guaranteeing" shall be deemed to include "the insurer" and "insuring", respectively;

(iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;

(iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and

(v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "Outstanding Principal Balance" shall mean the outstanding Certificate Balance and "maturity", as such term is used in the Maximum

Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

(c) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 10(q) is applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies.

(d) Deliver. For the purposes of the definition of "Deliver" in the definitions referred to in Condition 10(m), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and "Delivery" and "Delivered" will be construed accordingly.

(e) Provisions for Determining a Successor. The paragraph commencing "For the purposes of this definition of "Successor" ..." in the definition of "Successor" in the definitions referred to in Condition 10(m) is hereby amended by adding "or insurer" after "or guarantor".

(f) Substitute Reference Obligation. The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in the definitions referred to in Condition 10(m) is hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee". For purposes of sub-paragraph (a)(ii)(B) the definition of "Substitute Reference Obligation" references to "the Qualifying Guarantee" and the "Underlying Obligation" shall be deemed to include "the Qualifying Policy" and "the Insured Instrument", respectively.

(g) Restructuring.

(i) With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, paragraphs (i) to (v) inclusive of the definition of "Restructuring" in the definitions referred to in Condition 10(m) are hereby amended to read as follows:

(i) a reduction in the rate or amount or the Instrument Payments in clause (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy;

(ii) a reduction in the amount of the Instrument Payments described in clause (A)(y) of the definition thereof that are guaranteed or insured by the Qualifying Policy;

(iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of the Instrument Payments described in clause (A)(x) of the definition thereof or (B) the payment of the Instrument Payments described in clause (A)(y) of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;

(iv) a change in the ranking in priority of payment of (A) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (B) any Instrument Payments, causing

the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or

(v) any change in the currency or composition of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency which is not a Permitted Currency.

(ii) Paragraph (c) of the definition of "Restructuring" in the definitions referred to in Condition 10(m) is hereby amended by adding "or, in the case of a Qualifying Policy and an Insured Instrument, where (A) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the Qualifying Policy" after "Reference Entity".

(iii) The definition of "Restructuring" in the definitions referred to in Condition 10(m) is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

"For purposes of the definition of "Restructuring" in the definitions referred to in Condition 10(m) and if Condition 10(o) is specified as applying in the applicable Final Terms for the purposes Condition 10 the term Obligation shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in the definition of "Restructuring" shall be deemed to refer to the Insured Obligor and the reference to the Reference Entity in paragraphs (a) to (c) inclusive in the definition of "Restructuring" shall continue to refer to the Reference Entity."

(h) Fully Transferable Obligation and Conditionally Transferable Obligation. In the event that "Restructuring Maturity Limitation and Fully Transferable Obligation" and/or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation" is specified as applying in the applicable Final Terms and a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition. References in the definition of Conditionally Transferable Obligation to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "final maturity date", as such term is used in Condition 10(c) and the definition of "Restructuring Maturity Limitation Date", shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

(i) Other Provisions. For purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" and the definitions of "Credit Event" and "Deliver" in the definitions referred to in Condition 10(m), references to the "Underlying Obligation" and the "Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.

(j) Additional Definitions.

Qualifying Policy means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 10(q)) (the **Insured Instrument***)* for which another party (including a special purpose entity or trust) is the

obligor (the **Insured Obligor**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments).

Instrument Payments means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 10(q)(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

Certificate Balance means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

(r) *Calculation Agent and Calculation Agent Notices*

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 10 shall (in the absence of manifest error) be final and binding on the Issuer and the Noteholders. Whenever the Calculation Agent is required to make any determination it may, inter alia, decide issues of construction and legal interpretation. In performing its duties pursuant to the Notes, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and neither the Calculation Agent nor the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

(s) *Adherence to ISDA Protocols in relation to alternative settlement or valuation method*

In the event that a protocol setting out an alternative settlement or valuation method is published by the International Swaps and Derivatives Association (a **Protocol**) in relation to a Reference Entity, the Calculation Agent may in its sole discretion determine whether or not to follow some or all of the terms of such Protocol for purposes of this Condition 10.

Notwithstanding any other provisions in this Condition 10, in the event that the Calculation Agent decides to adhere to a Protocol, the Calculation Agent may adjust such terms of this Condition 10 as it deems appropriate to reflect some or all of the relevant settlement, valuation and other provisions of the Protocol. These may include, without limitation, Final Price or Asset Amount or determining that Cash Settlement rather than Physical Settlement shall apply or vice versa. Nothing in this Condition 10(s) should be taken as requiring the Calculation Agent to follow the terms of the Protocol.

11. TAXATION

(a) *Gross-Up*

If Condition 11(a) is specified as applicable in the applicable Final Terms, principal and interest shall be payable to the holders of the Notes, Receipts or Coupons by the Issuer without withholding or deduction for or

on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in the Republic of Italy or by or on behalf of any political subdivision or any authority therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts of principal and interest as may be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(i) for or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as amended or supplemented from time to time) or any related implementing regulations and in all circumstances in which the procedures set forth in Legislative Decree No. 239 of April 1, 1996 in order to benefit from a tax exemption have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) (A) presented for payment by, or on behalf of, a holder who is liable for such withholding or deduction in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of such Note; or

(B) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration or any other statement, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or

(C) presented for payment more than 30 days after the Relevant Date (as defined in the General Definitions) except to the extent that the holder of such Notes, Receipts or Coupons would have been entitled to such additional amounts on presenting such Notes, Receipts or Coupons for payment on such thirtieth day (assuming such day to have been a Payment Day as defined in the General Definitions); or

(D) presented for payment in Italy; or

(E) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(F) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(G) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with Italy.

Without prejudice to the above provisions of this Condition 11(a), in the event that Notes are redeemed prior to the end of the eighteenth month after the Issue Date of the relevant Tranche, the Issuer will be required to pay an amount equal to 20 per cent. of the interest and any other amounts accrued up to the date of redemption to the Italian tax authorities. Any such payment will not affect the amounts to be received by the Noteholders by way of interest or other amounts, if any, under the Notes.

(b) *No Gross-Up*

If Condition 11(b) is specified as applicable in the applicable Final Terms, the Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

12. EVENTS OF DEFAULT

Any Noteholder may give notice to the Issuer in accordance with Condition 18 that any Note held by such Noteholder is, and shall accordingly immediately become, due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of repayment if any of the following events (an **Event of Default**) occurs and is subsisting:

(i) *Non-payment/non-delivery*: the Issuer fails to pay principal or interest or fails to deliver the Asset Amount in respect of the Notes or any of them within 30 days of the relevant due date; or

(ii) *Breach of other obligations*: the Issuer fails to perform any other obligation arising under the Notes and such failure continues for more than 60 days after the Issuer has received notice thereof from Noteholders of a least one-quarter in principal amount of the Notes of the relevant Series demanding redemption; or

(iii) *Suspension of payments*: the Issuer suspends its payments generally; or

(iv) *Bankruptcy etc*: a court in the jurisdiction of incorporation of the Issuer institutes bankruptcy or composition proceedings to avert bankruptcy or similar proceedings against the assets of the Issuer, or the Issuer applies for the institution of such proceedings concerning its assets.

13. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in the General Definitions) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

14. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (or, in the event that the Notes are listed on the Luxembourg Stock Exchange, the Paying Agent in Luxembourg) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. SUBSTITUTION OF THE ISSUER

(a) *Substitution of Issuer*

The Issuer (or any previously substituted company from time to time) shall, without the consent of the Noteholders, be entitled at any time to substitute for the Issuer any other company (the **Substitute**) as principal

debtor in respect of all obligations arising from or in connection with the Notes provided that (i) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute shall have assumed all obligations arising from or in connection with the Notes and shall have become a party to the Agency Agreement, with any consequential amendments; (iii) the obligations of the Substitute in respect of the Notes shall be unconditionally and irrevocably guaranteed by the Issuer; (iv) each stock exchange or listing authority on which the Notes are listed shall have confirmed that following the proposed substitution of the Substitute the Notes would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 30 days' prior notice of the date of such substitution to the Noteholders in accordance with Condition 18.

(b) *Modification of Terms and Conditions as a result of Substitution of Issuer*

After any substitution or change of branch pursuant to Condition 15(a) above, the Terms and Conditions will be modified in all consequential respects including, but not limited to, replacement of references to the Republic of Italy in the Terms and Conditions where applicable, by references to the country of incorporation, domicile and/or residence for tax purposes of the Substitute or the new branch, as the case may be. Such modifications shall be notified to Noteholders in accordance with Condition 18.

16. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(i) there will at all times be an Agent;

(ii) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(iii) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(iv) there will at all times be a Paying Agent in a jurisdiction within continental Europe other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in the United States in the circumstances described in Condition 5(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 18.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

17. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 13.

18. NOTICES

(a) All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Notes are admitted to trading on, and listed on the Official List of, the Luxembourg Stock Exchange and the rules and regulations of such exchange so require, any notice shall also be published in accordance with the rules and regulations of the Luxembourg Stock Exchange (which includes publication on the website of the Luxembourg Stock Exchange (www.bourse.lu)). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

(b) Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent or, in the event that the Notes are admitted to trading on, and listed on the Official list of, the Luxembourg Stock Exchange, the Paying Agent in Luxembourg. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or, in the event that the Notes are listed on the Luxembourg Stock Exchange, the Paying Agent in Luxembourg through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

(c) If Notice to the Issuer is specified as applying in the applicable Final Terms, notices to be given by any Noteholder to the Issuer regarding the Notes will be validly given if delivered in writing to the Issuer as specified in the applicable Final Terms. Any such notice shall be deemed to have been given on the day when delivered or if delivered on a day that is not a Notice Delivery Business Day or after 5.00 p.m. in the Notice Delivery Business Day Centre on a Notice Delivery Business Day, will be deemed effective on the next following Notice Delivery Business Day. The relevant Noteholder must provide satisfactory evidence to the Issuer of its holding of Notes which, so long as the Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg is expected to be in the form of certification from Euroclear and/or Clearstream, Luxembourg, as the case may be.

19. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or upon the request in writing of Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the Asset Amount or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be two or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 18 as soon as practicable thereafter.

20. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount, issue date, issue price and/or date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) *Governing law*

The Notes, the Receipts and the Coupons (and any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) are governed by, and shall be construed in accordance with, English law.

(b) *Submission to jurisdiction*

The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connections with the Notes, the Receipts and the Coupons) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer hereby appoints Banca IMI S.p.A., London Branch at its office for the time being in London, as its agent for service of process, and undertakes that, in the event of Banca IMI S.p.A., London Branch ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

(c) *Other documents*

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts in terms substantially similar to those set out above.

ANNEX 1 TO THE TERMS AND CONDITIONS

Definitions applicable to Index Linked Redemption Notes

Disrupted Day means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

Exchange means, in relation to an Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Indices and **Index** mean, subject to adjustment in accordance with Condition 8(b), the indices or index specified in the applicable Final Terms and related expressions shall be construed accordingly.

Index Sponsor means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index in the applicable Final Terms.

Market Disruption Event means, in respect of an Index:

(a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

(i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(A) on any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index; or

(B) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

(ii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on any relevant Exchange(s) securities/commodities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

(b) the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or,

if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

For the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a security/commodity included in the Index at any time, then the relevant percentage contribution of that security/commodity to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that security/commodity and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

Redemption Amount means the Redemption Amount specified in the applicable Final Terms or, if no such amount is specified in the applicable Final Terms, an amount equal to:

(a) in the case of a Call Index Linked Redemption Note

$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount ; or}$$

(b) in the case of a Put Index Linked Redemption Note

$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount ,}$$

provided always that the Redemption Amount shall in no event be less than zero. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit), in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

Reference Price means:

(a) where the Notes are specified in the applicable Final Terms to relate to a single Index, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on the Valuation Date (as defined below), without regard to any subsequently published correction; and

(b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the sum of the values calculated for each Index as the official closing level of each Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of each Index determined by the Calculation Agent at such Valuation Time) on the Valuation Date, without regard to any subsequently published correction, multiplied by the relevant Multiplier specified in the applicable Final Terms.

Related Exchange means, in relation to an Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), Provided That where "All Exchanges" is specified as the Related Exchange in the applicable Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

Scheduled Closing Time means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Valuation Date means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Final Terms and, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disruption Day then:

(a) where the Notes are specified in the applicable Final Terms to relate to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Reference Price in the manner set out in the applicable Final Terms or, if not set out or not practicable, determine the Reference Price by determining the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day); or

(b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day (each an **Affected Index**) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Index. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Reference Price using, in relation to the Affected Index, the level of that Index determined in the manner set out in the applicable Final Terms or, if not set out or if not practicable, using the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day).

Valuation Time means the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the Valuation Date in relation to each Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

ANNEX 2 TO THE TERMS AND CONDITIONS

Definitions applicable to Equity Linked Redemption Notes

Asset Transfer Notice means a duly completed asset transfer notice substantially in the form set out in the Agency Agreement.

Asset Amount has the meaning given in the applicable Final Terms.

De-Listing means, in respect of any relevant Underlying Equities, that the Exchange announces that pursuant to the rules of such Exchange, such Underlying Equities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

Delivery Expenses means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the delivery of the Asset Amount.

Disruption Cash Settlement Price means an amount equal to the fair market value of the relevant Note (but not taking into account any interest accrued on such Note as such interest shall be paid pursuant to Conditions 4 and 5) on such day as shall be selected by the Issuer in its sole and absolute discretion provided that such day is not more than 15 days before the date that the Election Notice is given as provided above adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any Affiliate of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent in its sole and absolute discretion.

Disrupted Day means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

Exchange means, in respect of an Underlying Equity, each exchange or quotation system specified as such for such Underlying Equity in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Insolvency means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting, an Equity Issuer (a) all the Underlying Equities of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official or (b) holders of the Underlying Equities of that Equity Issuer become legally prohibited from transferring them.

Market Disruption Event means, in respect of an Underlying Equity:

(a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

(i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(A) relating to the Underlying Equity on the Exchange; or

(B) in futures or options contracts relating to the Underlying Equity on any relevant Related Exchange; or

(ii) any event (other than as described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions, in or obtain market values for, the Underlying Equities on the Exchange or (B) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Underlying Equity on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

(b) the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or if earlier (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

Merger Date means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

Merger Event means, in respect of any relevant Underlying Equities, any (i) reclassification or change of such Underlying Equities that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Equities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of an Equity Issuer, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in a reclassification or change of all of such Underlying Equities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equities of the Equity Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Equities (other than such Underlying Equities owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Equity Issuer or its subsidiaries with or into another entity in which the Equity Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Equities outstanding but results in the outstanding Underlying Equities (other than Underlying Equities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equities immediately following such event (a **Reverse Merger**), in each case if the Merger Date is on or before the Valuation Date or, if the Notes are to be redeemed by delivery of Underlying Equities, the Maturity Date.

Nationalisation means that all the Underlying Equities or all or substantially all the assets of an Equity Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

Potential Adjustment Event means any of the following:

(a) a subdivision, consolidation or reclassification of relevant Underlying Equities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equities to existing holders by way of bonus, capitalisation or similar issue;

(b) a distribution, issue or dividend to existing holders of the relevant Underlying Equities of (i) such Underlying Equities or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of an Equity Issuer equally or proportionately with such payments to holders of such Underlying Equities, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by

the Equity Issuer as a result of a spin-off or other similar transaction or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;

(c) an extraordinary dividend as determined by the Calculation Agent;

(d) a call by an Equity Issuer in respect of relevant Underlying Equities that are not fully paid;

(e) a repurchase by an Equity Issuer or any of its subsidiaries of relevant Underlying Equities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(f) in respect of an Equity Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Equity Issuer, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; and

(g) any other event having, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Underlying Equities.

Redemption Amount means the Redemption Amount specified in the applicable Final Terms or, if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

(i) in the case of a Call Equity Linked Redemption Note

$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount ; or}$$

(ii) in the case of a Put Equity Linked Redemption Note

$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount ,}$$

provided always that the Redemption Amount shall in no event be less than zero. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

Reference Price means:

(a) where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, an amount equal to the official closing price (or the price at the Valuation Time on the Valuation Date, if so specified in the applicable Final Terms) of the Underlying Equity quoted on the Relevant Exchange without regard to any subsequently published correction as determined by or on behalf of the Calculation Agent (or if, in the opinion of the Calculation Agent, no such official closing price (or, as the case may be, the price at the Valuation Time on the Valuation Date, if so specified in the applicable Final Terms)) can be determined at such time and, if Disrupted Day is specified as applying in the applicable Final Terms and the Valuation Date is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date, if so specified in the applicable Final Terms) and the fair market selling price at the Valuation Time on the Valuation Date for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such

other factors as the Calculation Agent shall decide). The amount determined pursuant to the foregoing shall be converted, if Exchange Rate is specified as applying in the applicable Final Terms, into the Specified Currency at the Exchange Rate and such converted amount shall be the Reference Price; and

(b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, an amount equal to the sum of the values calculated for each Underlying Equity as the official closing (or the price at the Valuation Time on the Valuation Date, if so specified in the applicable Final Terms) of the Underlying Equity quoted on the Relevant Exchange as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction (or if, in the opinion of the Calculation Agent, no such official closing price (or, as the case may be, the price at the Valuation Time on the Valuation Date, if so specified in the applicable Final Terms) can be determined at such time and, if Disrupted Day is specified as applying in the applicable Final Terms, and the Valuation Date is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date, if so specified in the applicable Final Terms) and the closing fair market selling price (or, as the case may be, the fair market selling price at the Valuation Time on the Valuation Date, if so specified in the applicable Final Terms) for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide), multiplied by the relevant Multiplier. Each value determined pursuant to the foregoing shall be converted, if the Exchange Rate is specified as applying in the applicable Final Terms, into the Specified Currency at the Exchange Rate and the sum of such converted amounts shall be the Reference Price.

Related Exchange means, in relation to an Underlying Equity, each exchange or quotation system specified as such in relation to such Underlying Equity in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Related Exchange), Provided That where "All Exchanges" is specified as the Related Exchange in the applicable Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Equity.

Scheduled Closing Time means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Settlement Disruption Event means an event beyond the control of the Issuer as a result of which, in the opinion of the Calculation Agent, delivery of the Asset Amount by or on behalf of the Issuer in accordance with these Terms and Conditions and/or the applicable Final Terms is not practicable.

Tender Offer means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Equity Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

Valuation Date means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Final Terms and, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day:

(a) where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where practicable, determine the Reference Price in the manner set out in the applicable Final Terms or, if not set out or not so practicable, determine the Reference Price in accordance with its good faith estimate of the Reference Price as of the Valuation Time on that eighth Scheduled Trading Day; or

(b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities the Valuation Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Underlying Equity affected (each an **Affected Equity**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Equity unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Equity. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Equity, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine, where practicable, the Reference Price using, in relation to the Affected Equity, a price determined in the manner set out in the applicable Final Terms or, if not set out or if not practicable, using its good faith estimate of the value for the Affected Equity as of the Valuation Time on that eighth Scheduled Trading Day and otherwise in accordance with the above provisions.

Valuation Time means the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the Valuation Date in relation to each Underlying Equity to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

ANNEX 3 TO THE TERMS AND CONDITIONS

Definitions applicable to Credit Linked Notes

Accreted Amount means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (a)(ii) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent in its sole and absolute discretion) only if "Include Accrued Interest" is specified as applicable in the applicable Final Terms. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation's yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

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.

Additional EDD Interest Amount means an amount in the Specified Currency determined by the Calculation Agent in respect of each Calculation Amount equal to the sum of:

(a) each amount of interest that would have been payable per Calculation Amount, but for the operation of Condition 4(d) and the original determination of the Event Determination Date, on each Interest Payment Date falling after the date originally determined to be the Event Determination Date, to and including the Interest Recommencement Date; and

(b) interest on each such amount of interest, determined by the Calculation Agent using:

(I) a rate (expressed as a percentage) calculated by the Calculation Agent in its sole and absolute discretion equal to the average of the Overnight Rates for each day in the period from and including the Interest Payment Date on which the relevant Interest Amount would have been paid but for the operation of Condition 4(d) and the original determination of the Event Determination Date to but excluding the Interest Recommencement Date; and

(II) the number of days in the period from and including the Interest Payment Date on which the relevant amount of interest would have been paid but for the operation of Condition 4(d) and the original determination of the Event Determination Date to but excluding the Interest Recommencement Date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of such period is the 31st day of a month but the first day of such period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of such period is

the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

Applicable Auction means an Auction which the Calculation Agent determines is relevant to a Credit Event with respect to a Reference Entity and Obligations thereof and which relates to deliverable obligations which would constitute Reference Obligation(s) or Deliverable Obligation(s), as applicable, under the Notes (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, reference entity, obligations and deliverable obligations to which the Auction relates and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

Applicable Credit Derivatives Auction Settlement Terms means with respect to a Reference Entity, a Credit Event and an Applicable Auction, the Credit Derivatives Auction Settlement Terms (if any) which the Calculation Agent determines are relevant to the Notes (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, reference entity and obligation(s) and deliverable obligations which are the subject of the relevant Credit Derivatives Auction Settlement Terms and the Credit Events, Reference Entities and Obligations and Deliverable Obligations under the Notes and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes). The Calculation Agent shall, as soon as practicable after the relevant Applicable Credit Derivatives Auction Settlement Terms are published, notify the Issuer that Applicable Credit Derivatives Auction Settlement Terms have been published with respect to a Reference Entity and a Credit Event and make a copy thereof available for inspection by Noteholders at the specified office of the Agent.

Applicable Request means a request that a Credit Derivatives Determinations Committee be convened to Resolve the matters described in the definition of Credit Event Resolution Request Date, which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the request and the Credit Events, Reference Entities and Obligations thereof under the Notes and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

Applicable Resolution means a Resolution of a Credit Derivatives Determinations Committee which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, succession event, reference entity and obligation(s) thereof and any other factor to which the Resolution relates and the terms of the Notes and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

Asset Amount means, in respect of each nominal amount of Notes equal to the Calculation Amount, Deliverable Obligations, as selected by the Calculation Agent in its sole and absolute discretion, with (i) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance (including accrued but unpaid interest (as determined by the Calculation Agent) if "Include Accrued Interest" is specified as applying in the applicable Final Terms, but excluding accrued but unpaid interest if "Exclude Accrued Interest" is specified as applying in the applicable Final Terms, and if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified as applying in the applicable Final Terms, excluding accrued but unpaid interest)) (or the equivalent Currency Amount of any such amount) or (ii) a Due and Payable Amount (or the equivalent Currency Amount of any such amount) if the Deliverable Obligations are not Borrowed Money, in each case as of the relevant Delivery Dates which in aggregate equal the Calculation Amount, unless:

(a) the Issuer elects to Deliver Deliverable Obligations with an Outstanding Principal Balance (including or excluding interest, as applicable) or a Due and Payable Amount, as applicable (or the equivalent currency amount), in an aggregate amount as of the relevant Delivery Dates that is greater than the Calculation Amount, in which case such Deliverable Obligations shall comprise the Asset Amount and, for the avoidance of doubt, Noteholders shall not be required to pay any additional amount to the Issuer; or

(b) the Issuer elects to Deliver Deliverable Obligations with an Outstanding Principal Balance (including or excluding interest, as applicable) or a Due and Payable Amount, as applicable (or the equivalent currency

amount), in an aggregate amount as of the relevant Delivery Dates that is less than the Calculation Amount, in which case such Deliverable Obligations shall comprise the Asset Amount and the Issuer shall pay to Noteholders no later than the Business Day following the Final Delivery Date an amount determined by the Calculation Agent equal to the portion of the Calculation Amount in respect of which Deliverable Obligations were not Delivered,

less,

(c) if Unwind Costs are specified as applicable in the applicable Final Terms, Deliverable Obligations with a market value determined by the Calculation Agent in its sole and absolute discretion on the Business Day selected by the Calculation Agent falling during the period from and including the Event Determination Date to and including the Delivery Date equal to Unwind Costs.

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the Outstanding Principal Balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the Outstanding Principal Balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

Asset Transfer Notice means a duly completed asset transfer notice substantially in the form set out in the Agency Agreement.

Auction means, with respect to a Reference Entity and a Credit Event, an auction pursuant to which an Auction Final Price is to be determined in accordance with an auction procedure set out in the relevant Credit Derivatives Auction Settlement Terms.

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

Auction Credit Event Redemption Amount means the amount specified as such in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

$$(A \times B) - C$$

where:

A is the Calculation Amount;

B is the Auction Final Price in respect of the relevant Applicable Auction; and

C is Unwind Costs, provided that in no event shall the Auction Credit Event Redemption Amount be less than zero.

Auction Credit Event Redemption Date means, the Business Day following the Auction Settlement Date determined in accordance with the Applicable Credit Derivatives Auction Settlement Terms or such other date specified in the applicable Final Terms, as determined by the Calculation Agent.

Auction Final Price means, with respect to an Auction, the price (expressed as a percentage) in respect of the deliverable obligations which would constitute Reference Obligation(s) or Deliverable Obligation(s) under the Notes determined to be the Auction Final Price in accordance with the relevant Credit Derivatives Auction Settlement Terms. The Calculation Agent shall as soon as practicable after publication of the Auction Final Price in respect of an Applicable Auction, make available for inspection by Noteholders at the specified office of the Agent a copy of the relevant Applicable Credit Derivatives Auction Settlement Terms and copies of the relevant publication of the Auction Final Price.

Auction Final Price Determination Date means with respect to an Auction, the day, if any, on which the Auction Final Price is determined.

Auction Settlement Date has the meaning given to it in the relevant Credit Derivatives Auction Settlement Terms.

Bankruptcy means a Reference Entity:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement 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 any analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

Best Available Information means:

(i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes 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, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation 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 Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or

(ii) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of "Successor".

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".

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 Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

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 Delivery 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 Issuer.

Conditions to Settlement means such conditions as may be set out in the applicable Final Terms, provided that all Conditions to Settlement shall be deemed to be satisfied by the occurrence of an Event Determination Date to the extent that such Event Determination Date is not subsequently reversed prior to the Auction Final Price Determination Date in respect of an Applicable Auction, a Valuation Date, the Settlement Date (or, if earlier, a Delivery Date), or the Maturity Date, as applicable. For the avoidance of doubt, if an Event Determination Date is subsequently reversed, the Conditions to Settlement shall not be deemed to have been satisfied in respect of that Event Determination Date at any time prior to the Maturity Date for the purposes of Condition 10(a).

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).

Credit Derivatives Auction Settlement Terms means, with respect to a Reference Entity and a Credit Event, the Credit Derivatives Auction Settlement Terms published by ISDA in accordance with the Rules with respect to such Reference Entity and Credit Event, as amended in accordance with the Rules from time to time.

Credit Derivatives Determinations Committees means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions.

Credit Event means the occurrence of any one or more of the Credit Events specified in the applicable Final Terms which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, or any additional Credit Event specified in the applicable Final Terms, as determined by the Calculation Agent.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

(a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;

(b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;

(c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or

(d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

Credit Event Backstop Date means:

(i) if Credit Event Backstop Date is specified as "Applicable" in the applicable Final Terms, the date determined by the Calculation Agent:

(a) for the purposes of any DC Resolution by the relevant Credit Derivatives Determinations Committee as to whether an event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in sub-paragraph (ii) of the definition thereof) has occurred with respect to the relevant Reference Entity or Obligation thereof, the date that is 60 calendar days prior to the Credit Event Resolution Request Date, provided that the Calculation Agent determines that the DC Resolution is an Applicable Resolution and the Credit Event Resolution Request Date relates to an Applicable Request; or

(b) the date that is 60 calendar days prior to the earlier of:

(I) the first date on which the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during the Notice Delivery Period; and

(II) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (i) and (ii) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules in relation to an Applicable Request, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, provided that such Resolution is an Applicable Resolution and (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date; or

(ii) if Credit Event Backstop Date is specified as "Not Applicable" in the applicable Final Terms, the Credit Event Backstop Date shall be deemed to be the Business Day following the Trade Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

Credit Event Notice means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred on or after the applicable Credit Event Backstop Date and on or prior to the Extension Date. A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall be subject to the requirements regarding notices set out in Condition 10(r).

Credit Event Redemption Amount means the amount specified as such in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

$$(A \times B) - C$$

where:

"A" is the Calculation Amount; "B" is the Final Price or the Auction Final Price, as applicable; and

"C" is Unwind Costs if applicable,

provided that in no event shall the Credit Event Redemption Amount be less than zero.

Credit Event Redemption Date means the day falling the number of Business Days specified in the applicable Final Terms after the calculation of the Final Price or if Cash Settlement is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d), following any Auction Cancellation Date or No Auction Announcement Date in respect of the relevant Applicable Auction, if later.

Credit Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

(i) whether an event that constitutes a Credit Event has occurred with respect to the Reference Entity or Obligation thereof; and

(ii) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the Rules, of Publicly Available Information with respect to the DC Resolutions referred to in (i) and (ii) above.

Currency Amount means, with respect to a Deliverable Obligation comprising all or part of the Asset Amount that is denominated in a currency other than the Settlement Currency an amount converted to the relevant Settlement Currency using a conversion rate determined by reference to the Currency Rate.

Currency Rate means, with respect to a Deliverable Obligation comprising the Asset Amount, the rate of conversion of between the Settlement Currency and the currency in which the Outstanding Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source on such date at the Calculation Agent determines appropriate or (ii) if such rate is not available at such time, determined by the Calculation Agent in a commercially reasonable manner.

Currency Rate Source means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source, or other rate source, determined by the Calculation Agent in its sole and absolute discretion. For these purposes the Calculation Agent may take into account any successor rate source approved by a relevant Credit Derivatives Determinations Committee.

DC Party has the meaning given to that term in the Rules.

DC Resolution has the meaning given to that term in the definition of Resolve below.

Default Requirement means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Default Requirement is not specified in the applicable Final Terms, U.S.$10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

Deliver means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Asset Amount to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of "Credit Event" above or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor) provided that if all or a portion of the Asset Amount consists of Direct Loan Participations, **Deliver** means to create (or procure the creation) of a participation in favour of the relevant Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, **Deliver** means to Deliver both the Qualifying Guarantee and the Underlying Obligation. **Delivery** and **Delivered** will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time.

Deliverable Obligation means, subject as provided in Condition 10(c):

(a) any obligation of a Reference Entity (either directly, as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "(A) *Method for Determining Deliverable Obligations*" below (but excluding any Excluded Deliverable Obligation specified in the applicable Final Terms) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of "Credit Event" above)) or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the date on which the Notice of Physical Settlement is deemed given, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment 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" in "(A) *Method for Determining Deliverable Obligations*" below, each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Deliverable Obligation;

(c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a)-(d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the date on which the Notice of Physical Settlement is deemed given, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and

(d) any Additional Deliverable Obligation of a Reference Entity specified as such in the applicable Final Terms.

(A) ***Method for Determining Deliverable Obligations***. For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to (B)(3) below, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, in each case, as of the date on which the Notice of Physical Settlement is deemed given. The following terms shall have the following meanings:

(1) **Deliverable Obligation Category** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligations, the definition of "Reference Obligations Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).

(2) **Deliverable Obligation Characteristics** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Not Contingent, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer where:

(i) **Not Contingent** means any obligation having as of the Delivery Date and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall constitute Deliverable Obligations that are Not Contingent if such Deliverable 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 Delivery 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 the preceding paragraph have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

(ii) **Assignable Loan** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

(iii) **Consent Required Loan** means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;

(iv) **Direct Loan Participation** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer (to the extent that the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);

(v) **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;

(vi) **Maximum Maturity** means an obligation that has a remaining maturity from the Settlement Date of not greater than the period specified in the applicable Final Terms;

(vii) **Accelerated or Matured** means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and

(viii) **Not Bearer** means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system.

(B) ***Interpretation of Provisions***

(1) If the Obligation Characteristic "Listed" is specified in the applicable Final Terms, the Final Terms shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;

(2) if (i) either of the Deliverable Obligation Characteristics "Listed" or "Not Bearer" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (ii) the Deliverable Obligation Characteristic

"Transferable" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;

(3) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics; and

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

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

(ii) For 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 in the applicable Final Terms from the following list: Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or 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 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 in the applicable Final Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

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

(v) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in the Terms and Conditions, including without limitation, the definitions of "Cash Settlement Amount" and "Quotation Amount" in Condition 10(k)), when used in connection with Qualifying Guarantees are to be interpreted to be the then

"Outstanding Principal Balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

For the avoidance of doubt the provisions of this paragraph (B) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

Delivery Date means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

Delivery Expenses means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the Delivery of the Deliverable Obligations comprising the Asset Amount.

Domestic Currency means the currency specified as such in the applicable Final Terms and any successor currency. If no currency is specified in the applicable Final Terms, the Domestic Currency shall be the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. 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 per cent. owned, directly or indirectly, by the Reference Entity. **Voting Shares** shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

Due and Payable Amount means, subject as provided in sub-paragraph (4)(v) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation, the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

EDD Adjustment Amount means, means an amount in the Specified Currency determined by the Calculation Agent in respect of each Calculation Amount equal to the sum of:

(a) each amount of interest per Calculation Amount that would not have been paid (if any) on any Interest Payment Date to Noteholders had the earlier Event Determination Date been the date originally determined as the Event Determination Date; and

(b) interest on each such amount determined by the Calculation Agent using:

(I) a rate (expressed as a percentage) calculated by the Calculation Agent in its sole and absolute discretion equal to the average of the Overnight Rates for each day in the period from and including the Interest Payment Date on which the relevant interest amount was paid to but excluding the date on which the Notes are redeemed; and

(II) the number of days in the period from and including the Interest Payment Date on which the relevant interest amount was paid to but excluding the date on which the Notes are redeemed divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of such period is the 31st day of a month but the first day of such period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

Eligible Transferee means each of the following:

(a) (i) any bank or other financial institution;

(ii) an insurance or reinsurance company;

(iii) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); and

(iv) 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 or at least U.S.$500 million;

(b) an Affiliate of an entity specified in the preceding sub-paragraph (a);

(c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:

(i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.$100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.$100 million; or

(ii) that has total assets of at least U.S.$500 million; or

(iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in sub-paragraphs (a), (b), (c)(ii) or (d); and

(d) a Sovereign, Sovereign Agency or Supranational Organisation.

All references in this definition to U.S. dollars include equivalent amounts in other currencies.

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 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.

Event Determination Date means:

(i) subject to sub-paragraph (ii) of this definition, the first date on which the Calculation Agent determines that both the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during:

(A) the Notice Delivery Period; or

(B) the period from, and including, the day on which ISDA publicly announces that either:

(I) the relevant Credit Derivatives Determinations Committee has Resolved the matters described in (iv) of the definition of Event Determination Date Conditions (with such provision interpreted for the purposes of this definition as if the words "other than Restructuring" did not appear therein) and the Calculation Agent determines such Resolution is an Applicable Resolution; or

(II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in (i) and (ii) of the definition of Credit Event Resolution Request Date,

in either case relating to a Credit Event Resolution Request Date in respect of an Applicable Request that occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) to, and including, the date that is 14 calendar days thereafter; or

(ii) notwithstanding sub-paragraph (i) of this definition, the relevant Credit Event Resolution Request Date in respect of the relevant Applicable Request as determined by the Calculation Agent, if:

(A) each of the Event Determination Date Conditions is satisfied; or

(B) if "Additional Event Determination Date Definitions" is specified as Applicable in the applicable Final Terms:

(I) the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during the Notice Delivery Period and prior to the Auction Final Price Determination Date;

(II) each of the Event Determination Date Conditions is satisfied; and

(III) ISDA publicly announces (including prior to the Trade Date) that, as a result of the DC Resolution of the relevant Credit Derivatives Determinations Committee that an event that constitutes a Credit Event has occurred with respect to the relevant Reference Entity or Obligation thereof, the relevant Credit Derivatives Determinations Committee has resolved that an Auction will be held in accordance with the Credit Derivatives Auction Settlement Terms and the Calculation Agent determines that such Resolutions and Auction constitute Applicable Resolutions and an Applicable Auction,

provided that, in the case of this sub-paragraph (ii):

(1) no Settlement Date, if applicable, or Maturity Date has occurred on or prior to the date on which each of the Event Determination Date Conditions is satisfied; and

(2) no Event Determination Date has already been determined under sub-paragraph (i) in circumstances where Restructuring is the only Credit Event specified in a Credit Event Notice delivered by the Calculation Agent.

Event Determination Date Conditions means, the Calculation Agent determines that the following conditions have been satisfied:

(i) "Auction Settlement" is specified as the Settlement Method in the applicable Final Terms;

(ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, No Auction Announcement Date or Auction Cancellation Date in respect of the relevant Applicable Auction, as applicable;

(iii) the Credit Event Resolution Request Date relating to an Applicable Request occurs on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date); and

(iv) ISDA publicly announces (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event, other than a Restructuring, has occurred with respect to the relevant Reference Entity or Obligation thereof and that such event has occurred on or after the applicable Credit Event Backstop Date and on or prior to the relevant Extension Date and such Resolution is an Applicable Resolution.

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).

Excluded Deliverable Obligation means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

Excluded Obligation means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

Extension Date means the latest of:

(i) the Scheduled Maturity Date;

(ii) the Grace Period Extension Date if (a) Grace Period Extension is specified as applicable in the applicable Final Terms, (b) the Credit Event that is the subject of the Credit Event Notice or Credit Event Resolution Request Date in respect of an Applicable Request, as applicable, is a Failure to Pay that occurs after the Scheduled Maturity Date and (c) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date; and

(iii) the Repudiation/Moratorium Evaluation Date if (a) the Credit Event that is the subject of the Credit Event Notice or Credit Event Resolution Request Date in respect of an Applicable Request, as applicable, is a Repudiation/Moratorium for which the event described in sub paragraph (ii) of the definition of Credit Event Resolution Request Date occurs after the Scheduled Maturity Date, (b) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date and (c) the Repudiation/Moratorium Extension Condition is satisfied.

Failure to Pay means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.

Fallback Settlement Method means, with respect to Notes for which "Auction Settlement" is specified as the Settlement Method in the applicable Final Terms, the Fallback Settlement Method specified in such Final Terms.

Final Price means the price of the Reference Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the applicable Final Terms. The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the Agent and, for so long as the Notes are listed on the Luxembourg Stock Exchange at the office of the Paying Agent in Luxembourg (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

Full Quotation means, in accordance with the Quotation Method each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance equal to the Quotation Amount.

Fully Transferable Obligation means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition of "Fully Transferable Obligation". For purposes of determining whether a Deliverable Obligation satisfies the requirements of this definition of "Fully Transferable Obligation", such determination shall be made as of the Delivery Date for the relevant 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 Issuer.

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 Reference Entity or of the jurisdiction of organisation of a Reference Entity.

Grace Period means:

(a) subject to paragraphs (b) and (c) below, 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 Trade Date and the date as of which such Obligation is issued or incurred;

(b) if Grace Period Extension is specified as applying in the applicable Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified in the applicable Final Terms, thirty calendar days; and

(c) if as at the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled 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 Obligation Currency.

Grace Period Extension Date means, if:

(a) Grace Period Extension is specified as applying in the applicable Final Terms; and

(b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date, the day that is five Business Days following the day falling the number of days in the Grace Period after the date of such Potential Failure to Pay.

Hedge Disruption Event means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations under the terms of any transaction entered into by the Issuer and/or such Affiliate to hedge the Issuer's obligations or position in respect of the Notes.

Hedge Disruption Obligation means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

ISDA means the International Swaps and Derivatives Association, Inc. or any successor thereto as determined by the Calculation Agent.

Market Value means, with respect to a Reference Obligation on a Valuation Date:

(a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);

(b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);

(c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;

(d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;

(e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and

(f) if two or more Full Quotations or a Weighed Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date, the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

Maturity Date means the later to occur of the Scheduled Maturity Date, the Credit Event Redemption Date, the Auction Credit Event Redemption Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date, the Cash Settlement Date, the Postponed Maturity Date and the Settlement Date.

Merger Event means that at any time during the period from (and including) the Trade Date to (but excluding) the Scheduled Maturity Date the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, a Reference Entity or the Issuer, as applicable, or the Issuer and a Reference Entity become Affiliates.

Minimum Quotation Amount means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) U.S.$1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

Modified Eligible Transferee means any bank, financial institution or other entity which is regularly engaged in an established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

Modified Restructuring Maturity Limitation Date means, with respect to a Deliverable Obligation, the date that is the later of (x) the Scheduled 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.

No Auction Announcement Date means, with respect to Notes for which Auction Settlement is specified as the Settlement Method in the applicable Final Terms, a Reference Entity and a Credit Event, the date on which the Calculation Agent determines that ISDA first publicly announces that:

(i) no Credit Derivatives Auction Settlement Terms will be published with respect to such Reference Entity and Credit Event; or

(ii) Credit Derivatives Auction Settlement Terms will be published with respect to such Reference Entity and Credit Event and the Calculation Agent determines that such terms will not constitute Applicable Credit Derivatives Auction Settlement Terms; or

(iii) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held with respect to such Reference Entity and Credit Event such that the Calculation Agent determines that no Applicable Auction will be held following an Applicable Resolution and prior public announcement by ISDA to the contrary.

Notice Delivery Period means the period from and including the Trade Date to and including the second Business Day after the Notice Delivery Period End Date.

Notice Delivery Period End Date means the date that is fourteen calendar days after the Extension Date.

Notice of Publicly Available Information means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email and/or by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applying in the applicable Final Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Condition 10(r).

Obligation means:

(a) any obligation of a Reference Entity (either directly, as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below (but excluding any Excluded Obligation);

(b) each Reference Obligation specified in the applicable Final Terms, unless specified as an Excluded Obligation; and

(c) any Additional Obligation of a Reference Entity specified as such in the applicable Final Terms.

Method for Determining Obligations. For the purposes of paragraph (a) of this definition of "Obligation", the term "Obligation" may be defined as each obligation of each Reference Entity described by the Obligation Category specified in the applicable Final Terms, and having each of the Obligation Characteristics (if any) specified in the applicable Final Terms, in each case, as of the date of the event which constitutes the Credit Event which either is the subject of the Credit Event Notice or as of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

(A) **Obligation Category** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Final Terms, where:

(1) **Payment** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;

(2) **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);

(3) **Reference Obligations Only** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;

(4) **Bond** means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;

(5) **Loan** means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and

(6) **Bond or Loan** means any obligation that is either a Bond or a Loan.

(B) **Obligation Characteristics** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the applicable Final Terms, where:

(1) (a) **Not Subordinated** means an obligation that is not Subordinated to (I) the most senior Reference Obligation in priority of payment or, (II) if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the Reference Entity provided that, if any of the events set forth under sub-paragraph (a) of the definition of Substitute Reference Obligation below has occurred with respect to all of the Reference Obligations or if with respect to the Reference Obligation one or more Successors to the Reference Entity have been identified and any one or more such Successors have not assumed the Reference Obligation (each, in each case, a **Prior Reference Obligation**) and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, as applicable, "Not Subordinated" shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;

(b) **Subordination** means, with respect to an obligation (the **Subordinated Obligation**) and another obligation of the Reference Entity to which such obligation is being compared (the **Senior Obligation**), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, 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 Reference Entity at any time that the Reference 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 where the Reference Entity is a Sovereign;

(2) **Specified Currency** means an obligation that is payable in the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is specified in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively in the applicable Final Terms as the **Standard Specified Currencies**);

(3) **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";

(4) **Not Domestic Currency** means any obligation that is payable in any currency other than the Domestic Currency;

(5) **Not Domestic Law** means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;

(6) **Listed** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and

(7) **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 relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

Obligation Acceleration means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

Obligation Currency means the currency or currencies in which the Obligation is denominated.

Obligation Default means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default, or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

Observation Cut-Off Date means the later of (i) the last day of the Notice Delivery Period and (ii) the last day of the period described in subparagraph (i)(B) of the definition of Event Determination Date.

Outstanding Principal Balance means, subject as provided in sub-paragraph (4)(v) of paragraph (d)(B) (Interpretation of Provisions) in the definition of Deliverable Obligation:

(a) with respect to any Accreting Obligation, the Accreted Amount thereof; and

(b) with respect to any other obligation, the outstanding principal balance of such obligation,

provided that with respect to any Exchangeable Obligation that is not an Accreting Obligation, "Outstanding Principal Balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

Payment Requirement means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified in the applicable Final Terms, U.S.$1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

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 Organisation for Economic Co-operation 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 Ltd or any successor to the rating business thereof.

Physical Settlement Period means, subject to Condition 10(e), the number of Business Days specified as such in the applicable Final Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Asset Amount, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

Potential Failure to Pay means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

Potential Repudiation/Moratorium means the occurrence of an event described in paragraph (i) of the definition of Repudiation/Moratorium.

Publicly Available Information means:

(a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:

(i) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer or any of their Affiliates 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 Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation; or

(iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) of the definition of Bankruptcy against or by a Reference Entity; 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 the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation with respect to which a Credit Event has occurred and (ii) a holder of such Obligation, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to such Obligation.

(c) In relation to any information of the type described in paragraphs (a)(ii), (iii) and (iv) above, the Calculation Agent 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 entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

(d) Publicly Available Information need not state:

(i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and

(ii) that such occurrence:

(A) has met the Payment Requirement or Default Requirement;

(B) is the result of exceeding any applicable Grace Period; or

(C) has met the subjective criteria specified in certain Credit Events.

Public Source means each source of Publicly Available Information specified as such in the applicable Final Terms (or if a source is not specified in the applicable Final Terms, 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 the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

Qualifying Affiliate Guarantee means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

Qualifying Guarantee means an arrangement evidenced by a written instrument pursuant to which a Reference 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 structured (i) 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 Reference Entity can be discharged, reduced, assigned or otherwise altered or assigned (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.

Qualifying Participation Seller means any participation seller that meets the requirements specified in the applicable Final Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller.

Quotation means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

(a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

(b) (i) if "Include Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;

(ii) if "Exclude Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and

(iii) if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, the Calculation Agent shall determine based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.

(c) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for the purposes of determining the Final Price.

Quotation Amount means the amount specified as such in the applicable Final Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the applicable Final Terms, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

Quotation Dealer means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained, other than Banca IMI S.p.A., including each Quotation Dealer specified in the applicable Final Terms. If no Quotation Dealers are specified in the applicable Final Terms, the Calculation Agent shall select the Quotation Dealers in its sole and absolute discretion. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

Quotation Method means the applicable Quotation Method specified in the applicable Final Terms by reference to one of the following terms:

(a) **Bid** means that only bid quotations shall be requested from Quotation Dealers;

(b) **Offer** means that only offer quotations shall be requested from Quotation Dealers; or

(c) **Mid-market** means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation.

If a Quotation Method is not specified in the applicable Final Terms, Bid shall apply.

Reference Entity means the entity or entities specified as such in the applicable Final Terms. Any Successor to a Reference Entity either (a) identified by the Calculation Agent pursuant to the definition of "Successor" below on or following the Trade Date or (b) identified by the Calculation Agent by reference to a public announcement by ISDA on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules, shall, in each case, be the Reference Entity for the purposes of the relevant Series.

Reference Obligation means each obligation specified or of a type described as such in the applicable Final Terms (if any are so specified or described) and any Substitute Reference Obligation.

Relevant Obligations means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation 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.

Representative Amount means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

Repudiation/Moratorium means the occurrence of both of the following events:

(i) an authorised officer of a Reference 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 the Default Requirement; 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 the Default Requirement; and

(ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

Repudiation/Moratorium Evaluation Date means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date, (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

Repudiation/Moratorium Extension Condition is satisfied if:

(i) the Calculation Agent determines that ISDA has publicly announced pursuant to a valid request that was made, in accordance with the Rules, and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date and such Resolution constitutes an Applicable Resolution; or

(ii) by delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, a Notice of Publicly Available Information, each of which is effective on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date.

In all cases, the Calculation Agent may determine that the Repudiation/Moratorium Extension Condition has not been satisfied, or is not capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium for purposes of the relevant Credit Derivative Transaction has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Maturity Date.

Sub-paragraph (i) and the immediately preceding paragraph of this definition shall not apply unless the Calculation Agent determines that the relevant Resolution referred to therein constitutes an Applicable Resolution.

Repudiation/Moratorium Extension Notice means an irrevocable notice (which may be in writing (including by facsimile and/or email) and/or by telephone) from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

Resolve, Resolved, Resolves and **Resolving** means, with respect to a Credit Derivatives Determinations Committee, the making of a specific determination in accordance with the relevant Rules (and each such determination, a **DC Resolution**).

Restructured Bond or Loan means an Obligation which is a Bond or Loan and in respect of which the Restructuring that is the subject of a Credit Event Notice has occurred.

Restructuring means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of the Obligation to bind all the holders of such Obligation or is announced (or otherwise decreed) by a Reference 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 (i) the Credit Event Backstop Date with respect to the relevant Credit Derivative Transaction and (ii) the date as of which such Obligation is issued or incurred:

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

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

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

(iv) a 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.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

(a) the payment in euro 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;

(b) the occurrence of, agreement to or announcement of any of the events described in (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

(c) the occurrence of, agreement to or announcement of any of the events described in (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 Reference Entity.

For purposes of the definition of Restructuring and Condition 10(o), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in the initial paragraph and sub-paragraphs (i) to (v) of the definition of Restructuring shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in the second paragraph of this definition of Restructuring shall continue to refer to the Reference Entity.

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.

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 Scheduled Maturity Date or later than thirty months following the Scheduled Maturity Date and if it is, it shall be deemed to be the Scheduled Maturity Date or thirty months following the Scheduled Maturity Date, as the case may be.

Rules means, with respect to a Credit Derivatives Determinations Committee, the Credit Derivatives Determinations Committees Rules published by ISDA, as amended from time to time in accordance with the terms thereof.

Scheduled Maturity Date means the date specified as such in the applicable Final Terms.

Settlement Currency means the currency specified as such in the applicable Final Terms, or if no currency is specified in the applicable Final Terms, the Specified Currency of the Notes.

Settlement Date means, subject to Condition 10(e), the last day of the longest Physical Settlement Period following the satisfaction of Conditions to Settlement (the **Scheduled Settlement Date**) provided that if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Settlement Date, the Settlement Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling 60 Business Days following the Scheduled Settlement Date.

Settlement Method means Cash Settlement, Physical Settlement or Auction Settlement, as specified in the applicable Final Terms.

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 a Sovereign.

Sovereign Restructured Deliverable Obligation means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to paragraph (3) of "(B) *Interpretation of Provisions*" in the definition of "Deliverable Obligation", having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, 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 Number means the number of Public Source(s) specified in the applicable Final Terms, or if no number is specified in the applicable Final Terms, two.

Substitute Reference Obligation means one or more obligations of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

(a) In the event that:

(i) a Reference Obligation is redeemed in whole; or

(ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity,

the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.

(b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (1) ranks *pari passu* (or, if no such Obligation exists, then, at the Issuer's option, an Obligation that ranks senior) in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the later of (A) the Trade Date and (B) the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such later date), (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer and (3) is an obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.

(c) If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.

(d) If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.

(e) If:

(i) more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations; or

(ii) only one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the until the Extension Date. If (A) either (I) Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d)) and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or (II) either Auction Settlement or Physical Settlement is specified as the Settlement Method in the applicable Final Terms (or, in the case of Physical Settlement, is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d)) and, in each case, the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date, a Substitute Reference Obligation has not been identified, as of the end of the day on the Extension Date, the Issuer's obligations under the Notes shall cease as of the later of (A) the Scheduled Maturity Date, (B) the Grace Period Extension Date or (C) the Repudiation/Moratorium Evaluation Date.

(f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

Succession Event means (i) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, de-merger, consolidation, amalgamation, transfer of assets or liabilities, 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 or (ii) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity. Notwithstanding the foregoing, "Succession Event" shall not include an event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the applicable Succession Event Backstop Date.

Succession Event Backstop Date means:

(i) if Succession Event Backstop Date is specified as "Applicable" in the applicable Final Terms, the date determined by the Calculation Agent:

(a) for purposes of any DC Resolution of the relevant Credit Derivatives Determinations Committee with respect to whether or not a Succession Event has occurred, the date that is 90 calendar days prior to the relevant Succession Event Resolution Request Date (determined by reference to Greenwich Mean Time; or

(b) otherwise, the date that is 90 calendar days prior to the earlier of (A) the date on which the Succession Event Notice is effective and (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (i) and (ii) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date; or

(c) if Succession Event Backstop Date is specified as "Not Applicable" in the applicable Final Terms, the Succession Event Backstop Date shall be deemed to be the Business Day following the Trade Date.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms.

Succession Event Notice means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer that describes a Succession Event that occurred on or after the relevant Succession Event Backstop Date.

Succession Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

(i) whether an event that constitutes a Succession Event for purposes of the relevant Credit Derivative Transaction has occurred with respect to the relevant Reference Entity; and

(ii) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (A) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (B) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

Successor means:

(a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:

(i) if one entity directly or indirectly succeeds to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;

(ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession

Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;

(iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;

(iv) if one or more entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;

(v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and

(vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (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 Reference Entity) will be the sole Successor; and

(b) in relation to a Sovereign Reference Entity, each entity which becomes a direct or indirect successor to such Reference Entity by way of Succession Event, irrespective of whether any such successor assumes any of the obligations of such Reference Entity.

In the case of (a) above, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the relevant 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 (a)(vi) above, as applicable provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in this definition and sub-paragraphs (i) and (ii)(A) of the definition of Succession Event Resolution Request are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred and the Calculation Agent determines that such Resolution is an Applicable Resolution. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Noteholder(s) at the specified office of the Agent and, for so long as the Notes are listed on the Luxembourg Stock Exchange, at the office of the Paying Agent in Luxembourg.

Where pursuant to this definition and/or any Applicable Resolution relating to a succession Event Resolution Request, more than one Successor has been identified, the Calculation Agent shall adjust such of the Terms and Conditions and/or the applicable Final Terms as it in its sole and absolute discretion acting in a commercially reasonable manner shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of the Terms and Conditions and/or the applicable Final Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Notes under the provisions of the 2003 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 18, stating the adjustment to the Terms and Conditions and/or the applicable Final Terms and giving brief details of the relevant Succession Event.

In the case of (b) above, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the date of the occurrence of the relevant Succession Event), and with effect from the date of the occurrence of the Succession Event, each Sovereign and/or entity, if any, that qualifies under paragraph (b) above; provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub paragraphs (i) and (ii)(A) of the definition of Succession Event Resolution Request are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred and the Calculation Agent determines that such Resolution is an Applicable Resolution.

For the purposes of this definition of "Successor", **succeed** means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to paragraph (a) of this definition of "Successor" 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 Relevant Obligations have been exchanged.

Where:

(A) a Reference Obligation is specified in the applicable Final Terms; and

(B) one or more Successors to the Reference Entity have been identified; and

(C) any one or more such Successors have not assumed the Reference Obligation,

a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" above.

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 the European Bank for Reconstruction and Development.

Suspension Event means the Calculation Agent determines that a public announcement has been made by ISDA that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (i) and (ii) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules and such announcement relates to a Reference Entity and Credit Event under the Notes.

Suspension Event Cessation Date means, with respect to a Suspension Event, the date on which the Calculation Agent determines that ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (i) the matters described in the definition of Suspension Event or (ii) not to determine such matters.

TARGET Settlement Day means any day on which the TARGET System is open for the settlement of payments in euro.

Trade Date means the date specified as such in the applicable Final Terms.

Undeliverable Obligation means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans) it is impossible or illegal to Deliver on the Settlement Date.

Unwind Costs means the amount specified in the applicable Final Terms or if **Standard Unwind Costs** are specified in the applicable Final Terms, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer in connection with the redemption of the Notes and the related termination, settlement or re-establishment of any hedge or related trading position, such amount to be apportioned *pro rata* amongst each nominal amount of Notes equal to the Calculation Amount.

Valuation Date means (a) where Physical Delivery is specified as applying in the applicable Final Terms the day falling three Business Days after the Final Delivery Date, or (b) where Cash Settlement is specified as applying in the applicable Final Terms, if "Single Valuation Date" is specified in the applicable Final Terms, subject to Condition 10(e) the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if "Cash Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d), any Auction Cancellation Date or any No Auction Announcement Date, if later), and if "Multiple Valuation Dates" is specified in the applicable Final Terms, subject to Condition 10(e) each of the following dates:

(i) the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if "Cash Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d), any Auction Cancellation Date or No Auction Announcement Date, if later); and

(ii) each successive date that is the number of Business Days specified in the applicable Final Terms (or if the number of Business Days is not so specified, five Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the applicable Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the applicable Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the applicable Final Terms, Single Valuation Date shall apply.

Valuation Method:

(a) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and only one Valuation Date:

(i) **Market** means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or

(ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Highest.

(b) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and more than one Valuation Date:

(i) **Average Market** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or

(ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or

(iii) **Average Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Highest.

(c) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and only one Valuation Date:

(i) **Blended Market** means the unweighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date; or

(ii) **Blended Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Blended Highest.

(d) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and more than one Valuation Date:

(i) **Average Blended Market** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or

(ii) **Average Blended Highest** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Blended Highest.

(e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

Valuation Time means the time specified as such in the applicable Final Terms or, if no time is so specified, 11.00 a.m. in the principal trading market for the Reference Obligation.

Weighted Average Quotation means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount (but, if a Minimum Quotation Amount is specified in the applicable Final Terms, of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. A substantial portion of the proceeds from the issue of certain Notes may be used to hedge market risk with respect to such Notes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

The Registration Document referred to in "*Documents Incorporated By Reference*" on page 17 of this Base Prospectus is deemed incorporated in, and to form part of, this Base Prospectus as more fully described on page 17. The Registration Document contains information *inter alia* regarding the Issuer, its business, administration and management, and shareholders.

On 21 September 2011 Standard and Poor's downgraded the Issuer's long term rating to A (from A+). The short term rating remains unchanged at A1.

On 27 September 2011 Fitch Ratings confirmed the Issuer's AA- long term debt rating and its F1+ short term debt rating and revised the outlook of the Issuer to negative from stable.

TAXATION

General Taxation Information

The following information provided below does not purport to be a complete summary of the tax law and practice currently available. Potential purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of transactions involving Notes.

Purchasers and/or sellers of Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of transfer in addition to the issue price or purchase price (if different) of the Notes.

Transactions involving Notes (including purchases, transfer or redemption), the accrual or receipt of any interest payable on the Notes and the death of a holder of any Note may have tax consequences for potential purchasers which may depend, amongst other things, upon the tax status of the potential purchaser and may relate to stamp duty, stamp duty reserve tax, income tax, corporation tax, capital gains tax and inheritance tax.

French Taxation

The following is a summary of certain French taxation matters and is (i) based on the laws and practice in force as of the date of this Base Prospectus and subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect and (ii) prepared on the assumption that the Issuer is not a French resident for French tax purposes and is not acting from a French branch or permanent establishment in connection with the Notes. Investors should be aware that the statements below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors should consult their professional advisers so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Notes.

Withholding tax

All payments by the Issuer in respect of the Notes will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein.

EU Savings Directive

The Directive 2003/48/EC on the taxation of savings income has been implemented into French law under article 242 *ter* of the French Code *général des impôts*.

German Taxation

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series of Notes may be subject to a different tax treatment due to the specific terms of such Series of Notes as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Tax Residents

The section "Tax Residents" refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by an individual Noteholders will be subject to German withholding tax if the Notes are kept in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a Disbursing Agent, *auszahlende Stelle*). The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). If the individual Holder is subject to church tax, upon application a church tax surcharge will also be withheld.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual Holder provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. Where Notes are issued in a currency other than Euro any currency gains or losses are part of the capital gains. If interest coupons or interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or interest claims if the Notes have been disposed of separately.

In case of a physical settlement of certain Notes which grant the Issuer or the Holder the right to opt for a physical delivery of a predetermined number of underlying securities instead of a (re)payment of the nominal amount, the acquisition costs of the Notes may be regarded as proceeds from the disposal, redemption, repayment or assignment of the Notes and hence as acquisition costs of the underlying securities received by the individual Holder upon physical settlement. To the extent the provision mentioned above is applicable, generally no withholding tax has to be withheld by the Disbursing Agent upon physical settlement as such exchange of the Notes into the underlying securities does not result in a taxable gain for the individual Holder. However, withholding tax may then apply to any gain resulting from the disposal, redemption, repayment or assignment of the securities received in exchange for the Notes. In this case, the gain will be the difference between the proceeds from the disposal, redemption, repayment or assignment of the underlying securities and the acquisition costs of the Notes (after deduction of expenses related directly to the disposal, if any).

To the extent the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition or if the Notes have been transferred into the custodial account of the Disbursing Agent only after their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375 per cent. (including solidarity surcharge) on 30 per cent. of the disposal proceeds (plus interest accrued on the Notes (Accrued Interest, *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with art. 17 para. 2 of the EC Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income (e.g. Switzerland or Andorra).

In computing any German tax to be withheld, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual Holder of the Notes via the Disbursing Agent (e.g. losses from sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual Holder in the custodial account with the Disbursing Agent.

Individual Holders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly) for all investment income received in a given year. Upon the individual Holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the Noteholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporation as Holder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Notes form part of a trade or business, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of an individual Holder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), the individual Holder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25 per cent. (plus solidarity surcharge and church tax thereon, where applicable). Further, an individual Holder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Losses incurred with respect to the Notes can only be off-set with investment income of the individual Noteholder realised in the same or the following years. Any losses realised upon the disposal of shares in stock corporations received in exchange for the Notes can only be offset against capital gains deriving from the disposal of shares.

Where Notes form part of a trade or business or the income from the Notes qualifies as income from the letting and leasing of property the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. Where Notes qualify as zero bonds and form part of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account. The respective Holder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Holder. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. Generally the deductibility of capital losses from the Notes which qualify for tax purposes as contracts for difference is limited. These losses may only be applied against profits from other contracts for difference derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses can be carried forward indefinitely and applied against profits from contracts for difference in subsequent years.

In the case of physically settled Notes special limitations may apply to losses from the disposal of an Underlying which is a share in a corporation.

German Investment Tax Act

German tax consequences different from those discussed above would arise if the respective Notes or the underlying securities delivered upon physical delivery were to be regarded as investment fund units within the meaning of the German Investment Tax Act. In such case, the withholding tax requirements for the Disbursing Agent as well as the taxation of the Holder would depend on whether the disclosure and reporting requirements of the German Investment Tax Act were fulfilled. The Holder of the Notes may be subject to tax on unrealised income or, in case the reporting and disclosure requirements are not fulfilled, on income deemed received on a lump-sum basis (so-called penalty

taxation). Such income may be offset against any capital gains realised upon disposal of the Notes, or the underlying securities received, respectively, subject to certain requirements.

Non-residents

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Holder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "Tax Residents" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Note or an interest coupon are paid by a Disbursing Agent to a non-resident, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Notes will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

EU Savings Tax Directive

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the EU Savings Tax Directive into German law. These provisions apply from 1 July 2005.

For further information about the EU Savings Directive please refer to page 28.

Italian Taxation

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

*Law Decree No. 138 of 13 August 2011 (**Decree 138**),* converted into law with amendments by Law No. 148 of 14 September 2011 published in the Official Gazette No.216 of 16 September 2011, *reformed the taxation of financial instruments, including the Notes, as further described below. The new rules will be effective as of 1 January 2012, and may be based on future law provisions and/or clarifications.*

In the near future, the Italian tax authorities may further amend or clarify the tax treatment of interest and capital gains on Notes, as recently amended by Decree 138.

Legislative Decree No. 239 of 1 April 1996 (**Decree 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes issued, *inter alia*, by Italian banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks provided that the notes are issued for an original duration of not less than 18 months. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

Italian resident Noteholders

Where the Notes have an original maturity of at least 18 months, and an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless the individual has opted for the application of the "*risparmio gestito*" regimes – see "*Capital Gains Tax*" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. If the Noteholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation (and in certain circumstances, depending on the "*status*" of the Noteholder, also to IRAP -the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, or pursuant to Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

As of 1 January 2012, pursuant to Decree 138, the rate of *imposta sostitutiva*, where applicable, will be increased to 20 per cent. Decree 138 provides that zero coupon bonds with a residual maturity over 12 months and Notes paying the first coupon not before 1 year after the change in tax rate are deemed to be transferred at the date of 31 December 2011 in order to debit the Noteholders with the substitute tax of 12.5 per cent. on interest accrued up to such date. This provision could be further amended or clarified by new tax guidelines.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the **Fund**) or a SICAV, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund or the SICAV. The Fund or SICAV will not be subject to taxation on such results but a substitute tax of 12.5 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Substitute Tax**). As of 1 January 2012, pursuant to Decree 138, the rate of the Collective Investment Fund Substitute Tax will be increased to 20 per cent.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta*

sostitutiva, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11.00 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a Decree of the Ministry of Economy and Finance (each an **Intermediary**).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country allows a satisfactory exchange of information with Italy; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. and, as of 1 January 2012, pursuant to Decree 138, at a rate of 20 per cent. (or in any case at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders which are resident, for tax purposes, in countries which do not allow a satisfactory exchange of information with Italy. Please note that according to the Law No. 244 of 24 December 2007 (**Budget Law 2008**) a Decree still to be issued will introduce a new "white list" replacing the current "black list" system, so as to identified those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by ministerial decree 12 December, 2001.

Early Redemption

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed prior to 18 months from their issue date or, under certain conditions, if repurchased by the Issuer within this period (Resolution No.11 of 31 January 2011 of the Italian Revenues Agency (*Agenzia delle Entrate*)), the Issuer will be required to pay a tax equal to 20 per cent. of the interest and other amounts accrued from the relevant issue date up to the time of the early redemption. Such payment will be made by the Issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes. As of 1 January 2012, Decree 138 will repeal the surtax which would have been applicable in the case of early redemption of Notes having a maturity of 18 months or more.

Notes with a duration of less than 18 months

Interest payments relating to Notes issued with a duration of less than 18 months are subject to a withholding tax, levied at the rate of 27 per cent. As of 1 January 2012, pursuant to Decree 138, the rate of the withholding tax will be decreased to 20 per cent.

Where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (iv) an Italian commercial partnership, or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax; in all other cases, the withholding tax is a final withholding tax.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), may be subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value. As of 1 January 2012, pursuant to Decree 138, the withholding tax will be applied at a rate of 20 per cent.

Where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of production for IRAP purposes) income if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.50 per cent. Noteholders may set-off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder, holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial

intermediaries; and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Pursuant to Decree 138, the 12.5 per cent. rate of the *imposta sostitutiva* will be increased to 20 per cent. in relation to capital gains realised as of 1 January 2012. The capital losses realised before 1 January 2012 may be carried forward to offset subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses. Taxpayers may opt, pursuant to Decree 138, for a step up in the fiscal value of the relevant assets up to the market value of the assets registered on 31 December 2011. In the case of such step up, the new 20 per cent. rate will apply only to capital gain accrued as of 1 January 2012. The taxpayer would be required to pay a substitute tax on the positive difference between the market value of the assets at 31 December 2011 and its original fiscal cost. Provisions relating to such step up are expected to be implemented pursuant to a Decree to be issued by the Ministry of Economy and Finance.

Any capital gains realised by a Noteholder which is a Fund or a SICAV will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund or SICAV, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Substitute Tax.

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, or pursuant to Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian-resident Noteholders from the sale or redemption of Notes traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (i) is resident for income tax purposes in a country which allows for a satisfactory exchange of information with Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity

which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

Please note that, according to the Budget Law 2008, a Decree still to be issued will introduce a new "white list" replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information and (ii) do not have a more favourable tax regime.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident Issuer, not traded on regulated markets, are subject to the *imposta sostitutiva* at the current rate of 12.5 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 (**Decree 262**), converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000;

(ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding € 100,000; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer tax

Article 37 of Law Decree No. 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published in the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax provided for by the Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of €168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 (**Decree No. 84**). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) *Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 35 per cent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest or similar income under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest or similar income under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Portuguese Taxation

Noteholder's Income Tax

Income generated by the holding, distributions and disposal of the Notes is generally subject to the Portuguese tax regime for debt representative securities (*obrigações*).

Economic benefits derived from interest, amortisation, reimbursement premiums and other types of remuneration arising from the Notes are designated as investment income for Portuguese tax purposes.

Withholding tax arising from the Notes

Payments of principal on the Notes to corporate entities or to individuals are not subject to Portuguese withholding tax. For these purposes, principal shall mean all payments carried out without any remuneration component.

(i) Corporate entities

Under current Portuguese law, investment income payments in respect of the Notes made to Portuguese tax resident companies are included in their taxable income and are subject to progressive corporate tax rate according to which a 12.5 per cent. tax rate will be applicable on the first €12,500 of taxable income and a 25 per cent. tax rate will be applicable on taxable income exceeding €12,500, which may be subject to a municipal surcharge (*derrama municipal*) of up to 1.5 per cent., over the Noteholders taxable profits. Corporate taxpayers with a taxable income of more than €2,000,000 are also subject to State surcharge (*derrama estadual*) of 2.5 per cent. on the part of its taxable profits that exceeds € 2,000,000.

(ii) Individuals

As regards investment income on the Notes made to Portuguese tax resident individuals, they are subject to personal income tax which shall be withheld at the current final withholding rate of 21.5 per cent. if there is a Portuguese resident paying agent, unless the individual elects to include it in his taxable income, subject to tax at progressive rates of up to 46.5 per cent. In this case, the tax withheld is deemed to be a payment on account of the final tax due. Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Investment income payments due by non resident entities to Portuguese tax resident individuals are subject to an autonomous taxation at a rate of 21.5 per cent. whenever those payments are not subject to Portuguese withholding tax.

Implementation of EU Savings Directive in Portugal

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income into the Portuguese law through Decree-Law no 62/2005, of 11 March, 2005, as amended by Law no 39-A/2005, of 29 July.

Spanish Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Spain, though it is not intended to be, nor should it be construed to be, legal or tax advice. This section does not constitute a complete description of all the tax issues that may be relevant in making the decision to invest in the Notes or of all the tax consequences that may derive from the subscription, acquisition, holding, transfer, redemption or reimbursement of the Notes and does not purport to describe the tax consequences applicable to categories of investors subject to special tax rules. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, regional or local law in Spain, to which they may be subject.

Individuals with Tax Residence in Spain

Personal Income Tax

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever the source is and wherever the relevant payer is established. Therefore any income that Spanish holders of the Notes may receive under the Notes will be subject to Spanish taxation.

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the Notes obtained by individuals who are tax resident in Spain will be regarded as financial income for tax purposes (i.e. a return on investment derived from the transfer of own capital to third parties).

Both types of income will be included in the savings part of the taxable income subject to Personal Income Tax at the following tax rates: financial income up to €6,000 will be taxed at a rate of 19 per cent. and the excess over such threshold will be subject to a tax rate of 21 per cent.

Spanish holders of the Notes shall compute the gross interest obtained in the savings part of the taxable base of the tax period in which it is due, including amounts withheld, if any.

Income arising on the disposal, redemption or reimbursement of the Notes will be calculated as the difference between: (a) their disposal, redemption or reimbursement value; and (b) their acquisition or subscription value. Costs and expenses effectively borne by the holder on the acquisition and transfer of the Notes may be taken into account for calculating the relevant taxable income, provided that they can be duly justified.

Likewise, expenses relating to the management and deposit of the Notes, if any, will be tax-deductible, excluding those pertaining to discretionary or individual portfolio management.

Losses that may derive from the transfer of the Notes cannot be offset if the investor acquires homogeneous Notes within the two-month period prior or subsequent to the transfer of the Notes, until he/she transfers such homogeneous Notes.

Additionally, tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Notes, if any.

Wealth Tax

Individuals who are Spanish tax residents are subject to an annual Wealth Tax on 31 December on their total net wealth, regardless of the location of their assets (such as the Notes) or of where their rights may be exercised. However, according to Law 4/2008 of 23 December, taxpayers benefit from a 100 per cent. tax credit on their Wealth Tax liability as from 2008. This tax credit in practical terms means that taxpayers are effectively tax exempt from Wealth Tax. Taxpayers do not have the obligation to file the annual tax return as a result of this change.

Inheritance and Gift Tax

Inheritance and Gift Tax is levied on individuals' heirs and donees resident in Spain for tax purposes. It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. The applicable tax rate currently ranges between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

Legal Entities with Tax Residence in Spain

Corporate Income Tax

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the Notes obtained by entities which are resident for tax purposes in Spain shall be computed as taxable income of the tax period in which they accrue.

The general tax rate for limited liability companies is currently 30 per cent. However, small sized companies (those companies whose net business income is lower than €10,000,000) can benefit from the reduced tax rate of 25 per cent. on the first €300,000 of their taxable profits. In addition to this, during the tax period 2011, companies with a net business income lower than €5,000,000 and an average staff of 25 employees could benefit from the reduced rate of 20 per cent. on the first €300,000 of their taxable profits, being the rest of the taxable profits subject to a tax rate of 25 per cent. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

Tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Notes, if any.

Individuals and legal entities with no Tax Residence in Spain

A non-resident holder of Notes, who has a permanent establishment in Spain to which such Notes are effectively connected with, is subject to Spanish Non-Residents' Income Tax on any income under the Notes, including both interest periodically received and income arising on the disposal, redemption or reimbursement of the Notes. In general terms, the tax rules applicable to individuals and legal entities with no tax residence in Spain but acting through a permanent establishment in Spain are the same as those applicable to Corporate Income taxpayers (explained above).

Spanish withholding tax

Where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the Notes or intervenes as manager in the collection of any income under the Notes, such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the Notes. The current withholding tax rate in Spain is 19 per cent.

Amounts withheld in Spain, if any, can be credited against the final Spanish Personal Income Tax liability, in the case of Spanish tax resident individuals, or against final Spanish Corporate Income Tax liability, in the case of Spanish corporate, or against final Non-Residents' Income Tax, in the case of a Spanish permanent establishment of a non-resident holder of the Notes. However, holders of the Notes who are Corporate Income Taxpayers or Non-Residents' Income Taxpayers acting through a permanent establishment in Spain to which the Notes are effectively connected with can benefit from a withholding tax exemption when the Notes are listed in an OECD official stock exchange. This will be the case as the Notes are expected to trade on the Luxembourg Stock Exchange's Regulated Market.

Furthermore, such financial institution may become obliged to comply with the formalities set out in the Regulations on Spanish Personal Income Tax (Royal Decree 439/2007, of 30 March) and Corporate Income Tax (Royal Decree 1777/2004, of 30 July) when intervening in the transfer or reimbursement of the Notes.

Indirect taxation

The acquisition, transfer, redemption, reimbursement and exchange of the Notes will be exempt from Transfer Tax and Stamp Duty as well as Value Added Tax.

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payments of Interest on the Notes

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

However, Noteholders may wish to note that, in certain circumstances, HM Revenue and Customs (**HMRC**) has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. HMRC also has the power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on the redemption of Notes which are deeply discounted securities where such amounts are paid on or before 5 April 2012. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

EU Savings Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident or certain limited types of entity established in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

In respect of a Tranche of Notes issued under the Programme, a Manager or Managers (if so specified in the applicable Final Terms) or any other person or persons may enter into an agreement with the Issuer setting out the basis on which such Notes are to be purchased or subscribed. It is expect that any such Manager(s) or person(s) will agree to comply with the restrictions and agreements set out below (provided that references to "Manager" in the text below shall be read to refer to "person" as appropriate).

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Manager or, as the case may be, each Manager of an issue of Notes will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by such Manager or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. The Manager or, as the case may be, each Manager will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

In addition, each issuance of Notes may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Manager may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Manager or, as the case may be, each Manager will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that relevant Member State (a **Non-Exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State

and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-Exempt Offer, in accordance with the Prospectus Directive in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-Exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3 of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter *b)* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of September 1, 1993, as amended (the **Banking Act**); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

The Grand Duchy of Luxembourg

In addition to the cases described in the Public Offer Selling Restriction under the Prospectus Directive (above) in which the Manager or, as the case may be, the Managers can make an offer of Notes to the public in an EEA Member State (including the Grand Duchy of Luxembourg (**Luxembourg**)), the Manager or, as the case may be, the Managers can also make an offer of Notes to the public in Luxembourg:

(a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;

(b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and

(c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10th July, 2005 on prospectuses for securities implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de surveillance du secteur financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

United Kingdom

The Manager or, as the case may be, each Manager will be required to represent and agree, that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not apply to the Issuer if it was not an authorised person; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in from or otherwise involving the United Kingdom.

Germany

The Notes may only be offered in Germany in compliance with the Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other applicable German laws.

The Portuguese Republic

The Manager or, as the case may be, each Manager, and each further Manager appointed under the Programme and each other purchaser will be required to represent and agree, that the Notes might be offered to the public in Portugal under circumstances which are deemed to be a public offer (*oferta pública*) under the Portuguese Securities Code (*Código dos Valores Mobiliários* (**CVM**)) enacted by Decree Law no. 486/99 of November 13, as amended, subject to the fulfilment of the requirements and provisions applicable to public offerings in Portugal. The Manager or, as the case may be, each Manager has represented that (i) no document, circular, advertisement or any offering material in relation to the Notes has been or will be subject to approval by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* (**CMVM**)); (ii) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, including CMVM Regulation 1/2009 on complex financial products, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; (iii) it has not, directly or indirectly, distributed, made available or caused to be distributed and will not, directly or indirectly, distribute, make available or cause to be distributed the Base Prospectus or any document, circular, advertisements or any offering material in Portugal, unless the requirements and provisions applicable to public offerings and private placements in Portugal, as the case may be, are met. The Manager or, as the case may be, each Manager further represents and agrees, and each further Manager appointed under the Programme shall represent and agree, that (i) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the CVM, qualify as a private placement of Notes (*oferta particular*), all in accordance with the CVM and with CMVM Regulation 1/2009 on complex financial products, unless the requirements and provisions applicable to public offerings in Portugal are met; and (ii) pursuant to the CVM the private placement in Portugal or with Portuguese residents of Notes by public companies (*sociedades abertas*) or by companies that are issuers of securities listed on a market needs to be notified to the CMVM for statistical purposes; and (iii) it will comply with all applicable provisions of the CVM and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer, placement or sales of Notes by it in Portugal. The Manager or, as the case may be, each Manager has agreed that it shall comply with all applicable laws and regulations in force in Portugal, including (without limitation) the CVM, the CMVM Regulations and the Prospectus Regulation implementing the Prospectus Directive, regarding the offering, advertisement, distribution, submission to an investment-gathering procedure, sale, re-sale, re-offering or delivering of the Notes in Portugal or to individuals or entities resident in Portugal or having a permanent establishment located in Portuguese territory, as the case may be, and that such actions shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**). The Manager or, as the case may be, each Manager has represented and agreed that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

The Manager or, as the case may be, each Manager will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and

regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any Manager shall have any responsibility therefor.

Neither the Issuer nor any Manager represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the Manager or, as the case may be, each Manager will be required to comply with such other restrictions as the Issuer and the Manager(s) shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The amendment and restatement of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 7 June 2011.

Listing of Notes and admission to trading

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notes may be issued under the Programme which are not listed or admitted to trading, as the case may be, on the Luxembourg Stock Exchange or any other stock exchange or market or Notes may be issued which are listed or admitted to trading, as the case may be, on such other stock exchange or markets as the Issuer may specify.

Documents Available

For so long as any Notes remain outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Issuer and at the office of the Paying Agent in Luxembourg namely:

(i) the Registration Document;

(ii) the constitutional documents of the Issuer;

(iii) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2010 and 2009 and the unaudited consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2011;

(iv) the most recently published audited annual financial statements and the most recently published interim financial statements (if any) of the Issuer;

(v) the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(vi) a copy of this Base Prospectus;

(vii) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that the Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding of Notes and identity) to the Base Prospectus and any other documents incorporated herein or therein by reference; and

(viii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

A copy of this Base Prospectus (and the information incorporated by reference therein) and any Final Terms that are listed on the Luxembourg Stock Exchange will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer at the time of the issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial position of the Issuer since 30 June 2011 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2010.

Litigation

Save as disclosed in the Registration Document at chapter 11, paragraph 11.6 ("*Legal and arbitration proceedings that may have a material effect on the Issuer's performance*"), which is incorporated by reference in this Base Prospectus, the Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Post-issuance Information

Save as set out in any Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any Reference Item in relation to any issue of Notes constituting Derivative Securities (as such term is used in Commission Regulation (EC) No. 809/2004).

External Auditors

Reconta Ernst and Young S.p.A., with registered office at Via Po 32, 00198 Rome, is the independent auditor of the Issuer and is registered at No. 2 on the Special Register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of Legislative Decree No. 58 of 24 February 1998 (Unified Text of the Rules for the Capital Markets) and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992. Reconta Ernst and Young S.p.A. have been appointed by the Issuer to audit its financial statements for the period 2007-2011. Reconta Ernst & Young S.p.A. is also a member of Assirevi, the Italian association of auditing firms.

THE ISSUER

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As to English law and Italian law

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