

BASE PROSPECTUS

Dated 6 March 2014

**MEDIOBANCA - Banca di Credito Finanziario S.p.A.**

*(incorporated with limited liability in the Republic of Italy)*

**MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.**

*(incorporated with limited liability in Luxembourg)*

**Issuance Programme**

**guaranteed in the case of Certificates and Warrants issued by Mediobanca International  
(Luxembourg) S.A.**

by

**MEDIOBANCA - Banca di Credito Finanziario S.p.A.**



*Under the Issuance Programme (the “**Programme**”) described in this Base Prospectus (as defined below), each of Mediobanca - Banca di Credito Finanziario S.p.A. (“**Mediobanca**”) and Mediobanca International (Luxembourg) S.A. (“**Mediobanca International**”) (each an “**Issuer**” and together the “**Issuers**”) may from time to time issue certificates (“**Certificates**”) and warrants (“**Warrants**”, and together with the Certificates, the “**Securities**”), subject in each case to compliance with all relevant laws, regulations and directives. The payment of all amounts due and the performance of any non-cash delivery obligations in respect of any Securities issued by Mediobanca International will be unconditionally and irrevocably guaranteed by Mediobanca (in such capacity, the “**Guarantor**”) under a deed of guarantee and subject to the limitations thereof executed by the Guarantor and dated 6 March 2014 (the “**Deed of Guarantee**”).*

***An investment in Securities issued under the Programme involves certain risks. For a discussion of these risks, see “Risk Factors” beginning on page 37.***

*This Base Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under Directive 2003/71/EC as amended (the “**Prospectus Directive**”). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Securities which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC as amended and/or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to the Irish Stock Exchange for Securities issued under the Programme during the period of twelve months after the date hereof to be admitted to the official list (the “**Official***

*List”)* and trading on its regulated market (the “**Main Securities Market**”). The Main Securities Market is a regulated market for the purposes of the Directive 2004/39/EC as amended.

The Programme provides that Securities may be listed or admitted to trading (as the case may be) on such other or further stock exchange(s) or market(s) as may be agreed between the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer (as defined in “Plan of Distribution”). Unlisted Securities or Securities not admitted to trading on any market may also be issued. This Base Prospectus comprises two base prospectuses (one for each Issuer, each of which referred to herein as the “Base Prospectus”) for the purposes of the Prospectus Directive.

The Central Bank may, at the request of the relevant Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Base Prospectus; (ii) a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive (an “**Attestation Certificate**”); and (iii) if so required by such competent authority, a translation of the summary set out on pages from 8 to 36 of this Base Prospectus. The language of the prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Notice of the aggregate nominal amount of Securities (if applicable), remuneration (if any) payable in respect of Securities and the issue price of Securities which are applicable to each Tranche (as defined below) of Securities will be set out in the final terms relating to the Securities (the “**Final Terms**”) which will be delivered to the Central Bank and, with respect to Securities to be listed on the Official List of the Irish Stock Exchange, will be delivered to the Irish Stock Exchange and, with respect to Securities to be listed on any other or further Stock Exchange, will be delivered to the relevant Stock Exchange.

The terms and conditions of the Securities to be issued under the Programme (see “Terms and Conditions of the Securities” below) (the “**Terms and Conditions**” or the “**Conditions**”) will be completed by the Final Terms.

The Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Securities will be offered and sold in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. The Securities will be in bearer form and as such are subject to certain U.S. tax law requirements.

*Arranger of the Programme*

**MEDIOBANCA - Banca di Credito Finanziario S.p.A.**

*Mandated Dealer*

**MEDIOBANCA - Banca di Credito Finanziario S.p.A.**

## **IMPORTANT NOTICES**

*This document constitutes a Base Prospectus for each Issuer for the purposes of Article 5.4 of the Prospectus Directive.*

*Each of the Issuers and the Guarantor accepts responsibility for the information contained in this document and, to the best of the knowledge of Each of the Issuers and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*Each of the Issuers and the Guarantor, having made all reasonable enquiries confirms that (i) this Base Prospectus contains all information with respect to the Issuers, the Guarantor and its subsidiaries taken as a whole (the "**Group**" or the "**Mediobanca Group**"), the Securities and the deed of guarantee executed by the Guarantor and dated 6 March 2014 with respect to Securities issued by Mediobanca International (the "**Deed of Guarantee**") which is material in the context of the issue and offering of the Securities, (ii) the statements contained in this Base Prospectus relating to the Issuers, the Guarantor and the Mediobanca Group are in every material respect true and accurate and not misleading, the opinions and intentions expressed in this Base Prospectus with regard to the Issuers, the Guarantor and the Mediobanca Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iii) there are no other facts in relation to the Issuers, the Guarantor, the Mediobanca Group, the Securities or the Deed of Guarantee the omission of which would, in the context of the issue and offering of Securities, make any statement in this Base Prospectus misleading in any material respect and (iv) all reasonable enquiries have been made by the Issuers and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.*

*This Base Prospectus should be read and construed with any supplement hereto and with any other documents incorporated by reference herein and, in relation to any Tranche of Securities, should be read and construed together with the relevant Final Terms.*

*No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of Securities and, if given or made, such information or representation must not be relied upon as having been authorised by either of the Issuers, the Guarantor or any of the Dealers. Neither the delivery of this Base Prospectus or any Final Terms nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of either Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently supplemented or that there has been no adverse change in the financial position of either Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

*Purchases of Securities may be made through a duly appointed Dealer of the relevant Issuer. The relevant Issuer may also offer and sell Securities directly to investors without the involvement of any Dealer.*

*The Issuers and the Guarantor will enter into a Dealer Agreement with the Mandated Dealer (as defined in this Base Prospectus) in connection with the issue of Securities for the purpose of the distribution of the Securities to prospective investors. Pursuant to the terms of the Dealer Agreement, the relevant Issuer(s) may appoint one or more Dealer(s) under the Programme to subscribe or*

*procure subscribers for all or part of the Securities of the relevant Series. See the section on "Plan of Distribution" in this Base Prospectus for further details.*

*This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of either Issuer, the Guarantor or any of the Dealers to subscribe for, or purchase, any Securities.*

*The distribution of this Base Prospectus and the offering or sale of Securities in certain jurisdictions may be restricted by law. The Issuers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Securities 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. No Securities may be offered or sold, directly or indirectly including to the public, 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 Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Securities. In particular, the Securities have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements.*

*This Base Prospectus has been prepared by the Issuers and the Guarantor for use in connection with the offer and sale of Securities in reliance upon Regulation S of the Securities Act outside the United States to non-U.S. persons or in transactions otherwise exempt from registration. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.*

*The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.*

*For a description of additional restrictions on the distribution of this Base Prospectus and the offer or sale of Securities in the United States, the European Economic Area (including the United Kingdom and Italy) and other jurisdictions, see "Plan of Distribution".*

*The Dealers and PricewaterhouseCoopers S.p.A and PricewaterhouseCoopers, Société coopérative, as successor auditors to, respectively, Mediobanca and Mediobanca International have not separately verified the information contained in this Base Prospectus. None of the Dealers makes any representation express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either of the Issuers, the Guarantor or any of the Dealers that any recipient of this Base Prospectus or any financial statements should purchase any Securities.*

*Each potential investor should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Dealers undertakes to review the financial condition or affairs of the relevant Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor*

*to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Dealers.*

## **STABILISATION**

*In connection with the issue of any Tranche of Securities under the Programme, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Securities or effect transactions with a view to supporting the market price of the Securities 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 terms of the offer of the relevant Tranche of Securities 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 Securities and 60 days after the date of the allotment of the relevant Tranche of Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) in accordance with all applicable laws and rules.*

\*\*\*\*\*

*Securities may be issued on a continuous basis in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Securities of each Series being intended to be interchangeable with all other Securities, as the case may be, of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on different issue dates. The specific terms of each Tranche (which save in respect of the issue date, issue price, first payment of remuneration and aggregate nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the relevant Final Terms, the form of which is set out in “Form of Final Terms” below.*

*In this Base Prospectus, unless otherwise specified or the context otherwise requires: references to “\$”, “U.S.\$”, “USD” and “US Dollars” are to the lawful currency of the United States of America; references to “Euro” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to “£” are to the lawful currency of the United Kingdom; and references to “Yen” are to the lawful currency of Japan.*

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## SUMMARY OF THE PROGRAMME

*Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.*

*Certain provisions of this summary appear in brackets. Such information will be completed or, where not relevant, deleted, in relation to a particular Series of Securities and the completed summary in relation to such Series of Securities shall be appended to the relevant Final Terms.*

### Section A – Introduction and warnings

Element	Description of Element	Disclosure requirement
A.1	<b>Warnings</b>	<p>This summary should be read as an introduction to the Base Prospectus.</p> <p>Any decision to invest in the Securities should be based on consideration of the Base Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Securities.</p>
A.2	<b>Consent to the use of the Base Prospectus</b>	<p>[The Issuer[s] consent[s] to the use of the Base Prospectus for subsequent resale or final placement of the Securities by all [Dealers] [and] [financial intermediaries] (general consent).]</p> <p>[The Issuer[s] consent[s] to the use of the Base Prospectus for subsequent resale or final placement of the Securities by the following [Dealers] [and] [financial intermediaries] (individual consent): <i>[insert name[s] and address[es]].</i>]</p> <p>The subsequent resale or final placement of Securities by [Dealers] [and] [financial intermediaries] can be made [as long as this Base Prospectus is valid in accordance with Article 9 of the Prospectus Directive] <i>[insert period]</i>.</p> <p>[Such consent is also subject to and given under the condition[s] [ ].] [Such consent is not subject to and given under any condition.]</p> <p><b>In case of an offer being made by a [Dealer] [or] [financial intermediary], such [Dealer] [or] [financial intermediary] will provide information to investors on the terms and conditions of the offer at the time the offer is made.</b></p>

## Section B – Issuers and Guarantor

Element	Description of Element	Disclosure requirement
B.1	Legal and Commercial Name of the Issuer(s)	<p><b>Mediobanca</b></p> <p>Mediobanca – Banca di Credito Finanziario S.p.A. (“<b>Mediobanca</b>”)</p> <p>[<b>Mediobanca International</b></p> <p>Mediobanca International (Luxembourg) S.A. (“<b>Mediobanca International</b>”)]</p>
B.2	Domicile /Legal Form /Legislation /Country of Incorporation	<p><b>Mediobanca</b></p> <p>Mediobanca was established in Italy.</p> <p>Mediobanca is a company limited by shares under Italian law with its registered office at Piazzetta E. Cuccia 1, Milan, Italy.</p> <p>Mediobanca holds a banking licence from the Bank of Italy authorising it to carry on all permitted types of banking activities in Italy.</p> <p>Mediobanca is a bank organised and existing under the laws of Italy, carrying out a wide range of banking, financial and related activities throughout Italy.</p> <p>[<b>Mediobanca International</b></p> <p>Mediobanca International was established in Luxembourg.</p> <p>Mediobanca International is a <i>société anonyme</i> subject to Luxembourg law and having its place of registration in Luxembourg.</p> <p>Mediobanca International's registered office is at 4, Boulevard Joseph II, L-1840 Luxembourg, Luxembourg.]</p>
B.4b	Description of trends	<p><b>Mediobanca</b></p> <p>[Not applicable. As at the date of the Base Prospectus, Mediobanca is not aware of any trends affecting itself and the industries in which it operates.]</p> <p>[<b>Mediobanca International</b></p> <p>[Not applicable. As at the date of the Base Prospectus, Mediobanca International is not aware of any trends affecting itself and the industries in which it operates.]</p>
B.5	Description of the group of the Issuer(s)	<p><b>Mediobanca</b></p> <p>Mediobanca is the parent company of the Mediobanca Group.</p> <p>The Mediobanca Group is registered as a banking group registered in the register instituted by the Bank of Italy.</p> <p>[<b>Mediobanca International</b></p> <p>Mediobanca International is part of the Mediobanca Group.</p> <p>The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.]</p>
B.9	Profit forecast/esti	<p><b>Mediobanca</b></p>

	<b>mate</b>	[Not applicable. No forecast or estimates of profits are contained in the Base Prospectus.]  <b>[Mediobanca International]</b>  [Not applicable. No forecast or estimates of profits are contained in the Base Prospectus.]]																																																																								
<b>B.10</b>	<b>Qualifications in the audit report</b>	<b>Mediobanca</b> Not applicable. There are no qualifications in the audit report.  <b>[Mediobanca International]</b> Not applicable. There are no qualifications in the audit report.]																																																																								
<b>B.12</b>	<b>Selected historical key information / no material adverse change / significant changes</b>	<p><b>Mediobanca</b></p> <p><b>Selected annual financial information.</b> The audited consolidated balance sheet and profit and loss account of Mediobanca as at 30 June 2013 are shown below, along with comparative data for the year ended 30 June 2012, plus a series of key financial indicators. The audited consolidated balance sheet and profit and loss account of Mediobanca have been restated in order to provide the most accurate reflection of the Mediobanca Group's operations.</p> <table border="1"> <thead> <tr> <th><b>CONSOLIDATED BALANCE SHEET</b></th> <th><b>30/6/13</b></th> <th><b>30/6/12</b></th> </tr> </thead> <tbody> <tr> <td><b>Assets</b></td> <td></td> <td></td> </tr> <tr> <td>Treasury funds</td> <td>8,199.70</td> <td>9,330.4</td> </tr> <tr> <td>AFS securities</td> <td>11,489.8</td> <td>10,552.1</td> </tr> <tr> <td>Fixed financial assets (HTM &amp; LR)</td> <td>2,053.50</td> <td>2,328.1</td> </tr> <tr> <td>Loans and advances to customers</td> <td>33,455.4</td> <td>36,309.5</td> </tr> <tr> <td>Equity investments</td> <td>2,586.90</td> <td>3,165.5</td> </tr> <tr> <td>Tangible and intangible assets</td> <td>707.7</td> <td>718.1</td> </tr> <tr> <td>Other assets</td> <td>1,247.30</td> <td>1,355.6</td> </tr> <tr> <td>Total assets</td> <td>59,740.30</td> <td>63,759.3</td> </tr> <tr> <td><b>Liabilities and net equity</b></td> <td></td> <td></td> </tr> <tr> <td>Funding</td> <td>51,287.8</td> <td>55,788.0</td> </tr> <tr> <td>Other liabilities</td> <td>1,312.1</td> <td>1,177.2</td> </tr> <tr> <td>Provisions</td> <td>192.2</td> <td>185.1</td> </tr> <tr> <td>Net equity</td> <td>7,128.0</td> <td>6,528.1</td> </tr> <tr> <td>Profit for the period</td> <td>(179.8)</td> <td>80.9</td> </tr> <tr> <td>Total liabilities and net equity</td> <td>59,740.3</td> <td>63,759.3</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th><b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b></th> <th><b>12 mths to 30/6/13</b></th> <th><b>12 mths to 30/6/12</b></th> </tr> <tr> <td></td> <th><b>€m</b></th> <th><b>€m</b></th> </tr> </thead> <tbody> <tr> <td><b>Profit-and-loss data</b></td> <td></td> <td></td> </tr> <tr> <td><b>TOTAL INCOME</b></td> <td><b>1,597.1</b></td> <td><b>1,989.6</b></td> </tr> <tr> <td><b>OPERATING COSTS</b></td> <td><b>(756.9)</b></td> <td><b>(789.-)</b></td> </tr> <tr> <td><b>PROFIT BEFORE TAX</b></td> <td><b>(27.3)</b></td> <td><b>205.9</b></td> </tr> <tr> <td><b>NET PROFIT</b></td> <td><b>(179.8)</b></td> <td><b>80.9</b></td> </tr> </tbody> </table>	<b>CONSOLIDATED BALANCE SHEET</b>	<b>30/6/13</b>	<b>30/6/12</b>	<b>Assets</b>			Treasury funds	8,199.70	9,330.4	AFS securities	11,489.8	10,552.1	Fixed financial assets (HTM & LR)	2,053.50	2,328.1	Loans and advances to customers	33,455.4	36,309.5	Equity investments	2,586.90	3,165.5	Tangible and intangible assets	707.7	718.1	Other assets	1,247.30	1,355.6	Total assets	59,740.30	63,759.3	<b>Liabilities and net equity</b>			Funding	51,287.8	55,788.0	Other liabilities	1,312.1	1,177.2	Provisions	192.2	185.1	Net equity	7,128.0	6,528.1	Profit for the period	(179.8)	80.9	Total liabilities and net equity	59,740.3	63,759.3	<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>	<b>12 mths to 30/6/13</b>	<b>12 mths to 30/6/12</b>		<b>€m</b>	<b>€m</b>	<b>Profit-and-loss data</b>			<b>TOTAL INCOME</b>	<b>1,597.1</b>	<b>1,989.6</b>	<b>OPERATING COSTS</b>	<b>(756.9)</b>	<b>(789.-)</b>	<b>PROFIT BEFORE TAX</b>	<b>(27.3)</b>	<b>205.9</b>	<b>NET PROFIT</b>	<b>(179.8)</b>	<b>80.9</b>
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**Key consolidated financial indicators**

<b>REGULATORY CAPITAL AND CAPITAL INDICATORS</b>	<b>30/6/13 (€m)</b>	<b>30/6/12 (€m)</b>
Tier I capital	6,153.2	6,338.9
Regulatory capital	8,155.4	7,810.0
Core tier one capital ratio	11.75%	11.49%
Tier one capital ratio	11.75%	11.49%
Total capital ratio	15.57%	14.16%

<b>CREDIT RISK INDICATORS</b>	<b>30/6/13 (€m)</b>	<b>30/6/12 (€m)</b>
NPLs/loans	1.30%	0.95%
Gross irregular items/loans	3.72%	2.92%
Net NPLs/loans	0.57%	0.50%
Net irregular items/loans	2.14%	1.86%
Net NPLs/regulatory capital	3.22 %	3.10%

**Selected interim financial information.** The audited consolidated interim financial statements of Mediobanca as at 31 December 2013 are shown below, along with comparative data for the period ended 31 December 2012 and the year ended 30 June 2013, plus a series of key financial indicators.

<b>CONSOLIDATED BALANCE SHEET</b>	<b>31/12/2013</b>	<b>31/12/12</b>
<b>Assets</b>		
Treasury funds	13,346.0	9,105.2
AFS securities	9,672.7	11,735.6
Fixed financial assets (HTM & LR)	2,137.1	2,366.3
Loans and advances to customers	32,272.0	34,142.0
Equity investments	2,649.2	3,284.0
Tangible and intangible assets	703.2	715.0
Other assets	1,214.8	1,142.4
Total assets	61,995.0	62,490.5
<b>Liabilities and net equity</b>		
Funding	53,262.3	53,970.5
Other liabilities	1,125.7	1,177.9
Provisions	189.9	187.6
Net equity	7,112.4	7,030.7
Profit for the period	304.7	123.8
Total liabilities and net equity	61,995.0	62,490.5

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>	<b>31/12/2013</b>	<b>31/12/12</b>
	<b>€m</b>	<b>€m</b>
<b>Profit-and-loss data</b>		
<b>TOTAL INCOME</b>	<b>875.0</b>	<b>916.3</b>
<b>OPERATING COSTS</b>	<b>(370.0)</b>	<b>(375.6)</b>
<b>PROFIT BEFORE TAX</b>	<b>332.2</b>	<b>208.5</b>
<b>NET PROFIT</b>	<b>304.7</b>	<b>123.8</b>

<b>Key consolidated financial indicators</b>		
<b>REGULATORY CAPITAL AND CAPITAL INDICATORS</b>	<b>31/12/13 (€m)</b>	<b>31/12/12 (€m)</b>
Tier 1 capital	6,319.6	6,472.5
Regulatory capital	8,436.1	8,066.7
Tier 1 capital/risk-weighted assets	11.94%	11.84%
Regulatory capital/ risk-weighted assets s	15.94%	14.76%
No. of shares in issues (millions)	861.1	861.1

<b>[Mediobanca International</b>		
<b>Selected annual financial information.</b> The following tables show the capitalisation (in Euro) and the cash flow statements of Mediobanca International as at 30 June 2013 and 2012.]		
<b>As at 30 June</b>		
<b>(Euro)</b>		
	<b>2013</b>	<b>2012</b>
<b>Shareholders equity</b>		
Share capital	10,000,000	10,000,000
Reserves	221,051,434	192,623,000
Retained earnings	--	--
Net profit	14,748,992	28,428,435
<b>Total Shareholder's equity</b>	<b>245,800,426</b>	<b>231,051,435</b>
<b>Medium and long-term debt<sup>1</sup></b>		
1. Amounts owed to credit institutions	978,792,213	1,939,348,204
2. Notes and bonds payable	1,372,748,614	1,623,748,245
<b>Total medium and long-term debt</b>	<b>2,351,540,827</b>	<b>3,563,096,449</b>
<b>Total capitalisation</b>	<b>2,597,341,253</b>	<b>3,794,147,884</b>

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>Year ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
<b>(Euro thousands)</b>		
Operating activities	-73,478	45,857
Cash generated/(absorbed) by financial assets	1,711,476	596,869
Cash (generated)/absorbed by financial liabilities	-1,330,492	-649,281
<b>Net cash flow (outflow) from operating activities</b>	<b>307,506</b>	<b>-6,555</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Net cash flow (outflow) from investment activities	-307,505	-4,194
<b>FUNDING ACTIVITIES</b>		
Net cash flow (outflow) from funding activities	-	10,750

<sup>1</sup> Medium and Long-term debt consists of amounts owed to credit institutions and notes and bonds payable for which the original maturity, at the date of issuance, was 18-months or longer.

<b>NET CASH FLOW (OUTFLOW) DURING YEAR/PERIOD</b>	<b>1</b>	<b>1</b>
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**Interim Selected annual financial information.** The audited consolidated interim financial statements of Mediobanca International as at 31 December 2013 are shown below, along with comparative data for the period ended 31 December 2012 and the year ended 30 June 2013, plus a series of key financial indicators.

<i>(Euro)</i>		
	<b>30/06/2013</b>	<b>31/12/2013</b>
<b>Shareholders equity</b>		
Share capital	10,000,000	10,000,000
Reserves	221,051,434	235,800,426
Retained earnings	--	--
Net profit	14,748,992	9,593,912
<b>Total Shareholder's equity</b>	<b>245,800,427</b>	<b>255,394,338</b>

	<b>31/12/2013</b>	<b>31/12/2012</b>
<i>(Euro thousands)</i>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operations	-867	-1.921
Cash generated/(absorbed) by financial assets	-413.467	1.381.114
Cash (generated)/absorbed by financial liabilities	389.335	-1.379.193
Net cash flow (outflow) from operating activities	-24.999	-
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Net cash flow (outflow) from investment activities	24.999	-1
<b>FUNDING ACTIVITIES</b>		
Net cash flow (outflow) from funding activities	-	-
<b>NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD</b>	-	-1

**Mediobanca**

*Material adverse change*

Since the last published audited financial statements as at 30 June 2013 with respect to Mediobanca there has been no material adverse change to the prospects of either Mediobanca or the Mediobanca Group headed up by it.

*Significant changes*

Not applicable. There have been no significant changes to financial or trading position of Mediobanca or the other companies forming part of the Mediobanca Group since the most recent financial information available was disclosed in its consolidated interim financial statements as at 31 December 2013.

		<p><b>[Mediobanca International]</b></p> <p><i>Material adverse change</i></p> <p>Since the last published audited financial statements as at 30 June 2013 with respect to Mediobanca International there has been no material adverse change to the prospects of Mediobanca International.</p> <p><i>Significant changes</i></p> <p>Not applicable. There have been no significant changes to financial or trading position of Mediobanca International since the most recent financial information available was disclosed in its non-consolidated financial statements as at 31 December 2013.]</p>
<b>B.13</b>	<b>Recent events</b>	<p><b>Mediobanca</b></p> <p>[Not applicable. Neither Mediobanca nor any company in the Mediobanca Group have carried out transactions that have materially affected or that might be reasonably expected to materially affect Mediobanca's ability to meet its obligations under the Securities.]</p> <p><b>[Mediobanca International]</b></p> <p>[Not applicable. Mediobanca International has not carried out transactions that have materially affected or that might be reasonably expected to materially affect Mediobanca International's ability to meet its obligations under the Securities.]</p>
<b>B.14</b>	<b>Issuer dependent upon other entities within the group</b>	<p><b>Mediobanca</b></p> <p>Not applicable. Mediobanca is the parent company of the Mediobanca Group and is not dependent upon other entities within the Mediobanca Group.</p> <p>See also item B.5 above.</p> <p><b>[Mediobanca International]</b></p> <p>Mediobanca International is part of the Mediobanca Group and is a wholly owned subsidiary of the Mediobanca Group, operating autonomously within the Mediobanca Group and subject to coordination and support of Mediobanca.</p> <p>See also item B.5 above. ]</p>
<b>B.15</b>	<b>Principal activities</b>	<p><b>Mediobanca</b></p> <p>As stated in Article 3 of its Articles of Association, Mediobanca's corporate purpose is to raise funds and provide credit in any of the forms permitted by applicable law, particularly medium- and long-term credit to corporates.</p> <p>Within the limits laid down by current regulations, Mediobanca may execute all banking, financial and intermediation-related operations and services, and carry out any transaction deemed to be instrumental to or otherwise connected with the achievement of Mediobanca's corporate purpose.</p> <p><b>[Mediobanca International]</b></p> <p>Mediobanca International may carry out, either within or outside the Grand Duchy of Luxembourg, any banking or financial operations authorised by the law relating to the financial sector.</p> <p>Mediobanca International's principal activity consists of raising funds on international</p>

		markets, by issues of bonds chiefly under a short and medium-term note programme guaranteed by Mediobanca. Mediobanca International is also engaged in corporate lending operations.]
<b>B.16</b>	<b>Control of Issuer</b>	<p><b>Mediobanca</b></p> <p>Not applicable. No individual or entity controls Mediobanca within the meaning of Article 93 of the Italian Legislative Decree 58/98.</p> <p><b>[Mediobanca International</b></p> <p>Mediobanca International is 99% owned by Mediobanca.]</p>
<b>B.18</b>	<b>Guarantee</b>	<p>Under the Deed of Guarantee, and in accordance with its terms and subject to the limitations thereof, Mediobanca (the “<b>Guarantor</b>”) unconditionally and irrevocably guarantees payment of all amounts due and the performance of any non-cash delivery obligations in respect of Securities issued by Mediobanca International.</p> <p>The payment obligations of the Guarantor under the Deed of Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor which will rank at all times at least <i>pari passu</i> without any preference among themselves and equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for certain mandatory exceptions of applicable law. In particular, pursuant to the Deed of Guarantee, to the extent under the applicable law, a cap to the maximum amount to be guaranteed is required, the Guarantor shall only be liable up to an amount which is the aggregate of 110 per cent. of the aggregate principal amount of any Tranche of the Securities (in each case as specified in the applicable Final Terms) and 110 per cent. of the interest on such Securities accrued but not paid as at any date on which the Guarantor's liability falls to be determined. In addition, pursuant to the Deed of Guarantee, the Guarantor has also undertaken to issue an additional guarantee in an amount equal to any liability exceeding the maximum amount mentioned above in relation to any Tranche.</p>
<b>B.19</b>	<b>Information on the Guarantor</b>	[Information with respect to Mediobanca is included in this section B above].

### Section C – Securities

<b>Element</b>	<b>Description of Element</b>	<b>Disclosure requirement</b>
<b>C.1</b>	<b>Type, class and security identification number of securities being offered</b>	<p>The Securities are [Certificates] [Warrants].</p> <p>[The Securities are [Index Securities] [Share Securities] [Currency Securities] [Debt Securities] [Commodity Securities] [Fund Securities] [Credit Securities].]</p> <p>[The Securities are [European Style Warrants] [American Style Warrants].]</p> <p>The Securities will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than unsubordinated obligations, if any, of the relevant Issuer from time to time outstanding.</p>

		The Securities have [ISIN [ ] [and Common Code [ ] [ ]].
C.2	<b>Currency</b>	Subject to compliance with all relevant laws, regulations and directives, the Securities are issued in [ ].
C.5	<b>Restrictions on free transferability</b>	There are restrictions on sales of the Securities into, amongst other jurisdictions, the United States, the European Economic Area (including the United Kingdom and Italy) and Japan.
C.8	<b>Description of rights and ranking</b>	<p>The Securities have terms and conditions relating to, among other matters:</p> <p><b>Status</b></p> <p>The Securities are issued by the relevant Issuer on an unsubordinated basis.</p> <p>The Securities will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than unsubordinated obligations, if any, of the relevant Issuer from time to time outstanding. See Condition 2(a) (<i>Status of Securities</i>) of the Terms and Conditions.</p> <p><b>Payments in respect of Securities in global form</b></p> <p>All payments in respect of Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of that Global Security to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose. A record of each payment so made will be endorsed on each Global Security, which endorsement will be prima facie evidence that such payment has been made in respect of the Securities.</p> <p><b>Payments in respect of Securities in definitive form</b></p> <p>Payments of principal and interest in respect of the Securities in definitive form shall be made against presentation and surrender of the relevant Securities at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with a bank in the principal financial centre of that currency; provided that in the case of Euro, the transfer may be to a Euro account.</p> <p><b>Payments in respect of Securities in book-entry form</b></p> <p>Payments of principal and interest in respect of Securities in book-entry form shall be made through an electronic book-entry system managed by Monte Titoli S.p.A. or any other centralised custodian appointed by the relevant Issuer.</p> <p><b>Illegality and force majeure</b></p> <p>If the relevant Issuer determines that the performance of its obligations under the Securities or that any arrangements made to hedge the relevant Issuer's obligations under the Securities have become (i) illegal in whole or in part for any reason, or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, impossible or impracticable the relevant Issuer may cancel the Securities by giving notice to</p>

		<p>Securityholders in accordance with Condition 8.</p> <p><b>Further issues and consolidation</b></p> <p>The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the Issue Price, the Issue Date and/or the first payment of interest) and so that the same shall be consolidated and form a single series with such Securities.</p> <p><b>Substitution</b></p> <p>Subject to the fulfilment of certain conditions, the relevant Issuer and, in case of Securities issued by Mediobanca International, the Guarantor may at any time (subject to certain conditions as provided in the Terms and Conditions) without the consent of the holders of Securityholders, substitute Mediobanca in place of Mediobanca International or Mediobanca International in place of Mediobanca.</p>
<b>C.11</b>	<b>Trading of securities</b>	<p>The Central Bank of Ireland has approved this document as a base prospectus. Application has also been made for Securities issued under the Programme to be admitted to trading on the regulated market of the Irish Stock Exchange.</p> <p>Securities may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer in relation to the relevant Series. Securities which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
<b>C.15</b>	<b>How the value of the investment is affected by the value of the underlying instrument(s)</b>	<p>[Not applicable - the Securities have a denomination of at least EUR 100,000.]</p> <p><b>[General</b></p> <p><i>[Insert if the Securities are Certificates:</i></p> <p><i>[Insert if the Securities are Certificates and Normal Performance is applicable:</i></p> <p>[The Securities enable investors to participate in the performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date].]</p> <p><i>[Insert if the Securities are Certificates and Performance Differential is applicable:</i></p> <p>[The Securities enable investors to participate in the difference between the performance of Reference Item 1 and Reference Item 2 from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date].]</p> <p>Each Security entitles its holder to receive from the relevant Issuer on the Settlement Date the [Cash Settlement Amount, less any Expenses not already paid] [Entitlement, following payment of any sums payable and Expenses]. [The [amount of the Cash Settlement Amount] will depend on the [relative] [level] [value] of the [Reference Item] [Reference Item 1 and Reference Item 2] [on the Valuation Date] [over the Averaging Dates].] [The value of the Entitlement will depend on its market value at the time of delivery.]</p> <p><i>[Insert if the Securities are Call Warrants:</i></p> <p>[The Securities enable investors to participate (with leverage) in the positive</p>

	<p>performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date]. Conversely, investors also participate (with leverage) in the negative performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date] and additionally bear the risk that the Security will expire without value if the [level] [value] of the Reference Item [on the Valuation Date] [over the Averaging Dates] is equal to or less than the Strike Price.</p> <p>Each Security entitles its holder to receive from the relevant Issuer on the Settlement Date the [Cash Settlement Amount (if the Final Reference Level exceeds the Strike Price), less any Expenses not already paid] [Entitlement (subject to payment of the Exercise Price), following payment of any sums payable and Expenses]. If the Final Reference Level is equal to or less than the Strike Price, the Security will expire and the holder will not receive any [Cash Settlement Amount] [Entitlement]. [The [amount of the Cash Settlement Amount] will depend on the [level] [value] of the Reference Item [on the Valuation Date] [over the Averaging Dates].] [The value of the Entitlement will depend on its market value at the time of delivery.]</p> <p><b><i>[Insert if the Securities are Put Warrants:</i></b></p> <p>[The Securities enables investors to participate (with leverage) in the negative performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date]. Conversely, investors also participate (with leverage) in the positive performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date] and additionally bear the risk that that the Security will expire without value if the [level] [value] of the Reference Item [on the Valuation Date] [over the Averaging Dates] is equal to or greater than the Strike Price.</p> <p>Each Security entitles its holder to receive from the relevant Issuer on the Settlement Date the [Cash Settlement Amount (if the Strike Price exceeds the Final Reference Level), less any Expenses not already paid] [Entitlement (subject to payment of the Exercise Price), following payment of any sums payable and Expenses]. If the Final Reference Level is equal to or greater than the Strike Price, the Security will expire and the holder will not receive any [Cash Settlement Amount] [Entitlement]. [The [amount of the Cash Settlement Amount] will depend on the [level] [value] of the Reference Item [on the Valuation Date] [over the Averaging Dates].] [The value of the Entitlement will depend on its market value at the time of delivery.]</p> <p><b><i>[Insert if the Certificates are Single Name Credit Linked Certificates:</i></b></p> <p>The Certificates enable investors to receive an enhanced rate of remuneration as a result of their exposure to the Reference Entity. However, if a Credit Event occurs with respect to the Reference Entity, the Certificates will be redeemed in full prior to their Exercise Date and Certificateholders will receive [a Cash Settlement Amount] [Deliverable Obligations]. The [amount of the Cash Settlement Amount will depend on the value of the Reference Obligation(s) on the [Initial] [Final] Valuation Date] [value of the Deliverable Obligations will depend on their market value at the time of delivery].</p> <p>If no Credit Event occurs, Certificateholders will receive a Final Cash Settlement Amount of [ ] on the Exercise Date.]</p> <p><b><i>[Insert if the Certificates are First-to-Default Credit Linked Certificates or Nth-to-default Credit Linked Certificates:</i></b></p> <p>The Certificates enable investors to receive an enhanced rate of interest as a result of their exposure to the Reference Entities. However, if a Credit Event occurs with</p>
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		<p>respect to [any] of [the [first][second][third] [ ]] Reference Entity, the Certificates will be redeemed in full prior to their Exercise Date and Certificateholders will receive [a Cash Settlement Amount] [Deliverable Obligations]. The [amount of the Cash Settlement Amount will depend on the value of the relevant Reference Obligation(s) on the Valuation Date] [value of the relevant Deliverable Obligations will depend on their market value at the time of delivery].</p> <p>If no Credit Event occurs, Certificateholders will receive a Final Cash Settlement Amount of [ ] on the Exercise Date.]</p> <p><b><i>[Insert if the Certificates are Linear Basket Credit Linked Certificates:</i></b></p> <p>The Certificates enable investors to receive an enhanced rate of remuneration as a result of their exposure to the Reference Entities. However, if a Credit Event occurs with respect to a Reference Entity, the Certificates will be redeemed in part prior to their Exercise Date and Certificateholders will receive a [Cash Settlement Amount] [Deliverable Obligations] relating to the affected Reference Entity. The [amount of such Cash Settlement Amount will depend on the value of the Reference Obligation(s) on the Valuation Date] [value of such Deliverable Obligations will depend on their market value at the time of delivery].</p> <p>If no Credit Event occurs, Certificateholders will receive a Final Redemption Amount of [ ] on the Exercise Date.]</p>
<p><b>C.16</b></p>	<p><b>Expiration or maturity date – exercise date or final reference date</b></p>	<p><b>[Exercise Date]</b></p> <p>[The Exercise Date of the Securities is [●] [, provided that such date may be extended in certain circumstances in the event that a Credit Event may have occurred on or prior to such date]..] [The Securities are European Style Warrants.]</p> <p><b>[Exercise Period]</b></p> <p>The Exercise Period for the Securities is [●] to [●]. [The Securities are American Style Warrants.]</p> <p><b><i>[Insert if Averaging does not apply to the Securities:</i></b></p> <p><b>Valuation Date</b></p> <p>The Valuation Date of the Securities is [●], subject to certain adjustment provisions which will apply if [●] is not a scheduled trading day on which [(i) the Index Sponsor fails to publish the level of the Index,] [(ii) [(i) any relevant stock exchange fails to open for trading during its regular trading session or [(iii) [(ii) certain market disruption events have occurred.]</p> <p><b><i>[Insert if Averaging applies to the Securities:</i></b></p> <p><b>Averaging Date(s)</b></p> <p>The Averaging Dates of the Securities are [●], subject to certain adjustment provisions which will apply if [●] is not a scheduled trading day on which [(i) the Index Sponsor fails to publish the level of the Index,] [(ii) [(i) any relevant stock exchange fails to open for trading during its regular trading session or [(iii) [(ii) certain market disruption events have occurred.</p> <p><b>Settlement Date</b></p> <p><b><i>[Insert if the Securities are Cash Settled:</i></b></p> <p>The Settlement Date of the Securities is [the fifth business day following the</p>

		<p>[Valuation Date] [last] [Averaging Date].</p> <p><i>[Insert if the Securities are Physically Settled Securities:</i></p> <p>The Settlement Date of the Securities is [●].</p> <p><i>[Insert if Barrier Event applies:</i></p> <p><b>Barrier Event</b></p> <p><i>[Insert if the Securities are Warrants:</i></p> <p>If a Barrier Event has occurred, each [Warrant] [Unit] entitles its holder to receive from the relevant Issuer on [●] (the “<b>Barrier Exercise Date[s]</b>”) the Barrier Cash Settlement Amount[, less any Expenses not already paid]. [Each [Warrant] [Unit] shall be automatically exercised on the Barrier Exercise Date falling on [●]].</p> <p><i>[Insert if the Securities are Certificates:</i></p> <p>If a Barrier Event has occurred, each Certificate entitles its holder to receive from the relevant Issuer on [●] (the “<b>Barrier Exercise Date[s]</b>”) the [Barrier Cash Settlement Amount] [Barrier Entitlement] [, less any Expenses not already paid]. [Each such Certificate shall be automatically exercised on the Barrier Exercise Date falling on [●]].]</p> <p>“<b>Barrier Event</b>” means the Settlement Price [is equal to] [and/or] [exceeds] [falls below] the Barrier Level on [a Barrier Observation Date] [at any time during the Barrier Observation Period].]</p>
C.17	A description of the settlement procedure of the derivative securities	<p><i>[Insert if the Securities are Cash Settled Securities:</i></p> <p>The Issuer shall pay or cause to be paid the Cash Settlement Amount (if any) for each Security by credit or transfer to the Securityholder's account with Euroclear or Clearstream, Luxembourg, as the case may be, for value on the Settlement Date, less any Expenses not already paid, such payment to be made in accordance with the rules of Euroclear or Clearstream, Luxembourg, as the case may be.</p> <p>The Issuer's obligations will be discharged by payment to, or to the order of, Euroclear or Clearstream, Luxembourg (as the case may be) of the amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular amount of the Securities must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for their share of each such payment.]</p> <p><i>[Insert if the Securities are Physically Settled Securities:</i></p> <p>Subject to payment of any Expenses with regard to the relevant Securities, the relevant Issuer shall, on the Settlement Date, deliver, or procure the delivery of, the Entitlement for each Security pursuant to the details specified in a notice (the “<b>Physical Delivery Confirmation Notice</b>”) provided by the relevant Securityholder.</p> <p>In the event that no valid Physical Delivery Confirmation Notice has been duly delivered at or prior to 10.00 a.m. (Brussels or Luxembourg time, as the case may be) on the Exercise Date in respect of a Security, the relevant Issuer in respect of such Security shall pay or cause to be paid the Assessed Value Payment Amount by credit or transfer to the Securityholder's account with Euroclear or Clearstream, Luxembourg as soon as reasonably practicable following the determination of the Assessed Value Payment Amount. Upon payment of the Assessed Value Payment Amount as aforesaid, the relevant Issuer's obligations in respect of such Certificate shall be</p>

		<p>discharged.</p> <p>The “<b>Assessed Value Payment Amount</b>” means an amount determined by the Calculation Agent to be the fair market value of the Relevant Assets comprised in the Entitlement in respect of the relevant Certificate, less any Expenses.</p> <p><i>[Insert if the Securities have an option to vary settlement:</i></p> <p>Upon a valid exercise of Securities in accordance with the Terms and Conditions, the relevant Issuer may, at its sole and unfettered discretion, in respect of each such Security, elect not to pay the relevant Securityholders the Cash Settlement Amount or not to deliver or procure delivery of the Entitlement to the relevant Securityholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Securityholders, as the case may be. Notification of such election will be given to Securityholders no later than 10.00 a.m. (Luxembourg time) on the second Business Day following [the Exercise Date (<i>for Certificates</i>)] [the Actual Exercise Date (<i>for Warrants</i>)] in accordance with Condition 8.</p>
<p><b>C.18</b></p>	<p><b>Return on the derivative securities</b></p>	<p><i>[Insert if the Securities (other than Credit Securities) are Cash Settled Securities:</i></p> <p>The return on the Securities takes place by the payment by the relevant Issuer on the Settlement Date of the Cash Settlement Amount, less any Expenses not already paid, to each Securityholder.</p> <p><i>[Insert if the Securities (other than Credit Securities) are Physically Settled Securities:</i></p> <p>The return on the Securities takes place by the delivery by the relevant Issuer on the Settlement Date of the Entitlement, subject to the payment of any Expenses, to each Securityholder.</p> <p><b>Exercise of Securities</b></p> <p><i>[Insert if the Securities are Certificates:</i></p> <p>Each Security shall be automatically exercised on the Exercise Date.]</p> <p><i>[Insert if the Securities are Italian Listed Certificates:</i></p> <p>In respect of a Security listed on the electronic "Securitized Derivatives Market" (the “<b>SeDeX</b>”), organised and managed by Borsa Italiana S.p.A. (the “<b>Italian Stock Exchange</b>”), prior to the relevant time, the Securityholder may renounce any automatic exercise of such Security by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed renouncement notice to the relevant clearing system, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.]]</p> <p><i>[Insert if the Securities are Warrants:</i></p> <p><i>[Insert if the Securities are American Style Warrants:</i></p> <p>The Securities are exercisable on any Exercise Business Day during the Exercise Period by the delivery of an Exercise Notice.</p> <p>If Automatic Exercise is not specified as being applicable in the applicable Final Terms, any Security with respect to which no Exercise Notice has been delivered in at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the last</p>

		<p>Exercise Business Day of the Exercise Period (the “<b>Expiration Date</b>”), shall become void.</p> <p>If Automatic Exercise is specified as being applicable in the applicable Final Terms, any Security (that is not a definitive Warrant) with respect to which no Exercise Notice has been delivered at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is in the determination of the Calculation Agent "In-The-Money" shall be automatically exercised on the Expiration Date.</p> <p><i>[Insert if the Securities are American Style Warrants and Italian Listed:</i></p> <p>In respect of a Security listed on the Italian Stock Exchange, prior to the relevant time, the Securityholder may renounce any automatic exercise of such Security by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed renouncement notice to the relevant clearing system, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.]]</p> <p><i>[Insert if the Securities are European Style Warrants:</i></p> <p>The Securities are exercisable on the Exercise Date (or if such a day is not an Exercise Business Day, the immediately succeeding Exercise Business Day (the “<b>Actual Exercise Date</b>”) by the delivery of an Exercise Notice.</p> <p>If Automatic Exercise is not specified as being applicable in the applicable Final Terms, any Security with respect to which no Exercise Notice has been delivered in at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Actual Exercise Date, shall become void.</p> <p>If Automatic Exercise is specified as being applicable in the applicable Final Terms, any Security (that is not a definitive Warrant) with respect to which no Exercise Notice has been delivered at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is in the determination of the Calculation Agent "In-The-Money" shall be automatically exercised on the Actual Exercise Date.</p> <p><i>[Insert if the Securities are European Style Warrants and Italian Listed:</i></p> <p>In respect of a Security listed on the Italian Stock Exchange, prior to the relevant time, the Securityholder may renounce any automatic exercise of such Security by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed renouncement notice to the relevant clearing system, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.]]</p> <p><i>[Insert if the Securities (other than Credit Securities) are Cash Settled Securities:</i></p> <p><b>Cash Settlement</b></p> <p>Each Certificate entitles its holder to receive from the relevant Issuer on the Settlement Date the Cash Settlement Amount, less any Expenses not already paid.</p> <p><b>Cash Settlement Amount</b></p> <p>The Cash Settlement Amount shall be the amount which the Securityholder is entitled to receive on the Settlement Date in the Settlement Currency in respect of each such Security, which is [ ] [calculated in accordance with the following:</p>
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*[Insert if the Securities are Certificates:*

*[Insert if “Normal Performance” is specified as being applicable in the Final Terms:*

(i) the Nominal Amount; multiplied by

(ii) (1 + [(Participation Factor multiplied by ]Performance of Underlying[)],]

*[Insert if “Performance Differential” is specified as being applicable in the Final Terms:*

(i) the Nominal Amount; multiplied by

(ii) (1 + [(Participation Factor multiplied by] (Performance of Underlying 1 minus Performance of Underlying 2)[)],]

[provided that the Cash Settlement Amount will not be [greater than the Maximum Amount] [and will not be] less than the Minimum Amount]. Such amount shall, if applicable, be converted into the Settlement Currency on [●] [the Settlement Date].

**[Performance of Underlying is:**

$$\left[ \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1 \right]$$

**[Performance of Underlying 1, with respect to Reference Item 1 is:**

$$\left[ \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1 \right]$$

**[Performance of Underlying 2, with respect to Reference Item 2 is:**

$$\left[ \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1 \right]$$

“**Final Reference Level**” is the Settlement Price on the Valuation Date.

“**Initial Reference Level**” [is equal to [●]] [with respect to Reference Item 1 is equal to [●] and with respect to Reference Item 2 is equal to [●]].

“**Settlement Price**” is the amount or value with respect to [the Reference Item] [Reference Item 1 or Reference Item 2, as the case may be] determined by the Calculation Agent on the [Valuation Date] [over the Averaging Dates] in accordance with the Terms and Conditions.]

[“**Reference Item**” means [●].]

“**Reference Item 1**” means [●].

“**Reference Item 2**” means [●].

“**Settlement Currency**” mean [●].

[“**Participation Factor**” means [●].]

*[Insert if the Securities are Call Warrants:*

[the Final Reference Level – Strike Level]

*[Insert if the Securities are Put Warrants:*

[the Strike Level - Final Reference Level]

[provided that the Cash Settlement Amount will not be [greater than the Maximum Amount] [and will not be] less than the Minimum Amount]. Such amount shall, if applicable, be converted into the Settlement Currency on [●] [the Settlement Date].

“**Final Reference Level**” is the [Settlement Price on the Valuation Date] [average of the Settlement Prices on each of the Averaging Dates].

“**Strike Level**” is equal to [●].

“**Settlement Price**” is the amount or value with respect to the Reference Item determined by the Calculation Agent on the [Valuation Date] [over the Averaging Dates] in accordance with the Terms and Conditions.]

“**Reference Item**” means [●].

“**Settlement Currency**” mean [●].]

*[[Insert if the Securities (other than Credit Securities) are Physically Settled Securities:*

**Physical Settlement**

Each Certificate entitles its holder to receive from the relevant Issuer on the Settlement Date the Entitlement, subject to the payment of any Expenses.

**Entitlement**

The Entitlement shall mean a quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Settlement Date in respect of each such Security following payment of any sums payable and Expenses, which is [in respect of] [each] [Relevant Asset] [Component] [[ ] [Entitlement Units in [ ]]] [Entitlement Units x Entitlement Multiplier] [Entitlement Units x Entitlement Multiplier x Component Weight].

“**Relevant Assets**” means [●] (*include, where applicable, an asset for each Component*).

“**Entitlement Units**” means [[ ] unit[s] of the Relevant Asset[s] relating to the [Component which is [ ]] [Reference Item] (*where the intention is to deliver a basket, insert details of the units of each Relevant Asset[s] relating to each Component*)

[“**Entitlement Multiplier**” means [ ] [the quotient of [the Nominal Amount] [100] [ ] (as numerator) and the Initial Reference Level (as denominator).]

*[Insert if the Securities are Credit Securitie:*

The return on each Certificate takes place by the payment by the relevant Issuer on each Remuneration Payment Date of an enhanced rate of remuneration as a result of the exposure of Certificateholders via the Certificates to the Reference Entity or Entities.

*Redemption upon the absence of a Credit Event*

If no Credit Event has occurred, the Certificates are redeemed by payment on the Settlement Date of the Final Cash Settlement Amount, less any Expenses not already paid, to each Securityholder. ]

*Redemption upon the occurrence of a Credit Event*

***[Insert if the Securities are Single Name Credit Linked Certificates, First-to-Default Credit Linked Certificates or Nth-to-default Credit Linked Certificates and Cash Settlement or Auction Cash Settlement is the Settlement Basis:***

If a Credit Event occurs, the Certificates will be redeemed in full by payment on the [Auction] Cash Settlement Date of the [Auction] Cash Settlement Amount.

The [Auction] Cash Settlement Amount with respect to each Certificate is [ ] [an amount determined by the Calculation Agent to be the greater of (a) zero and (b) an amount equal to (i) 100 per cent. multiplied by (ii) the Calculation Amount of such Certificate multiplied by (iii) the [Auction] Final Price of the Reference Obligation(s) [adjusted upwards or downwards to reflect the *pro rata* Hedge Unwind Costs]].

["**Hedge Unwind Costs**"] means the costs of unwinding any associated hedging transactions, including but not limited to any hedging and/or funding transactions, following the occurrence of a Credit Event.]

***[Insert if the Securities are Linear Basket Credit Linked Certificates and Cash Settlement or Auction Cash Settlement is the Settlement Basis:***

If a Credit Event occurs, the Securities will be redeemed in part by payment on each [Auction] Cash Settlement Date of the [Auction] Cash Settlement Amount.

The [Auction] Cash Settlement Amount with respect to each Certificate is [ ] [an amount determined by the Calculation Agent to be the greater of (a) zero and (b) an amount equal to (i) an amount (expressed as a percentage) equal to the Related Nominal Amount of the Reference Entity to which the Credit Event relates divided by the Aggregate Nominal Amount of the Certificates outstanding as of the related Event Determination Date multiplied by (ii) the Calculation Amount of such Certificate multiplied by (iii) the [Auction] Final Price of the Reference Obligation(s) [adjusted upwards or downwards to reflect the *pro rata* Hedge Unwind Costs]].

["**Hedge Unwind Costs**"] means the costs of unwinding any associated hedging transactions, including but not limited to any hedging and/or funding transactions, following the occurrence of a Credit Event.]

***[Insert if the Securities are Single Name Credit Linked Certificates, First-to-Default Credit Linked Certificates or Nth-to-default Credit Linked Certificates and Physical Settlement is the Settlement Basis:***

If a Credit Event occurs, the Certificates will be redeemed in full by the delivery on or prior to the Physical Settlement Date of Deliverable Obligations.

The amount of Deliverable Obligations which the relevant Issuer will deliver with respect to each Certificate is an amount equal the Calculation Amount of such Certificate, subject to the payment of any Delivery Expenses [and Hedge Unwind Costs]].

["**Hedge Unwind Costs**"] means the costs of unwinding any associated hedging transactions, including but not limited to any hedging and/or funding transactions, following the occurrence of a Credit Event.]

***[Insert if the Securities are Linear Basket Credit Linked Certificates and Physical Settlement is the Settlement Basis:***

If a Credit Event occurs, the Certificates will be redeemed in part by the delivery on or prior to each Physical Settlement Date of Deliverable Obligations.

	<p>The amount of Deliverable Obligations which the relevant Issuer will deliver with respect to each Certificate is a portion of the Calculation Amount of such Certificate which (expressed as a percentage) is the same as the amount (expressed as a percentage) equal to the Related Nominal Amount of the Reference Entity to which the Credit Event relates divided by the Aggregate Nominal Amount of the Certificates outstanding as of the related Event Determination Date, subject to the payment of any Delivery Expenses [and Hedge Unwind Costs]].</p> <p>["<b>Hedge Unwind Costs</b>” means the costs of unwinding any associated hedging transactions, including but not limited to any hedging and/or funding transactions, following the occurrence of a Credit Event.]</p> <p><i>[Insert if Barrier Event applies:</i></p> <p><b>Barrier Event</b></p> <p><i>[Insert if the Securities are Warrants:</i></p> <p>If a Barrier Event has occurred, each [Warrant] [Unit], entitles its holder to receive from the relevant Issuer on [each] [the] Barrier Exercise Date the [Barrier Cash Settlement Amount] [Barrier Entitlement] [, less any Expenses not already paid]. [Each [Warrant] [Unit] shall be automatically exercised on the Barrier Exercise Date falling on [●].]</p> <p>“<b>Barrier Event</b>” means the Settlement Price [is equal to] [and/or] [exceeds] [falls below] the Barrier Level on [a Barrier Observation Date] [at any time during the Barrier Observation Period].</p> <p>“<b>Barrier Level</b>” means [●].</p> <p>“<b>Barrier Cash Settlement Amount</b>” means the amount which the Securityholder is entitled to receive on [each] [the] Barrier Exercise Date [in the Settlement Currency] in relation to each [Warrant] or [Unit], which shall be [●] [the Barrier Reference Level minus the Strike Level] [the Strike Level minus the Barrier Reference Level] [provided that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if any)].</p> <p>“<b>Barrier Entitlement</b>” means [the quantity of the Relevant Asset] [the Relevant Assets] which a Securityholder is entitled to receive on [each] [the] Barrier Exercise Date in respect of each [Warrant] or [Unit] which shall be the Entitlement Units multiplied by the Entitlement Multiplier [multiplied by the Component Weight (<i>in respect of any Reference Item constituted by a Basket</i>)].</p> <p>“<b>Barrier Reference Level</b>” means the the Settlement Price on [the relevant Barrier Observation Date] [the relevant day during the Barrier Observation Period on which the Barrier Event occurs].</p> <p><i>[Insert if the Securities are Certificates:</i></p> <p>If a Barrier Event has occurred, each Certificate entitles its holder to receive from the relevant Issuer on [each] [the] the Barrier Exercise Date the [Barrier Cash Settlement Amount] [Barrier Entitlement][, less any Expenses not already paid]. Each such Certificate shall be automatically exercised on the Barrier Exercise Date falling on [●].]</p> <p>“<b>Barrier Event</b>” means the Settlement Price [is equal to] [and/or] [exceeds] [falls below] the Barrier Level on [a Barrier Observation Date] [at any time during the</p>
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Barrier Observation Period].

“**Barrier Cash Settlement Amount**” means the amount which the Securityholder is entitled to receive on [each] [the] Barrier Exercise Date [in the Settlement Currency] in relation to each such Security which shall be [(i) the Nominal Amount multiplied by (ii) (1+ [(Participation Factor multiplied by] Performance of Underlying)], [provided that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if any)].

For these purposes, “**Performance of Underlying**” means, with respect to the Reference Item:

$$\left( \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right) - 1$$

where “**Final Reference Level**” is the Settlement Price on [the relevant Barrier Observation Date] [the relevant day during the Barrier Observation Period on which the Barrier Event occurs].

“**Barrier Entitlement**” means [the quantity of the Relevant Asset] [the Relevant Assets] which a Securityholder is entitled to receive on [each] [the] Barrier Exercise Date in respect of each Certificate which shall be the Entitlement Units multiplied by the Entitlement Multiplier [multiplied by the Component Weight (*in respect of any Reference Item constituted by a Basket*)].

#### **Expenses**

A holder of Securities must pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, sale commissions, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising from the exercise and settlement of such Securities and/or the delivery or transfer of the Entitlement (as applicable) pursuant to the terms of such Securities (“**Expenses**”) relating to such Securities.

*[Insert if the Securities are Certificates only:*

#### **Remuneration and Remuneration Periods**

[The Securities do not bear remuneration.]

*[Delete the remaining paragraphs if the Securities do not bear remuneration:*

The Securities [bear remuneration at a fixed rate from the Remuneration Commencement Date] [bear remuneration at a floating rate from the Remuneration Commencement Date] [bear remuneration at a [fixed rate][floating rate] from the Remuneration Commencement Date to the Interest Rate Switch Date and shall thereafter bear remuneration at a [fixed rate][floating rate]] [at the applicable Remuneration Rate, such interest being payable in arrear on each specified Remuneration Payment Date] [to the Settlement Date].

*[Insert in the case of Securities which bear a Remuneration Rate:*

*Remuneration Rate*

*[Insert in the case of fixed rate Remuneration:*

The Remuneration Rate for the Securities [from the Remuneration Commencement Date] [Remuneration Rate Switch Date] to the [Remuneration Rate Switch

Date][Settlement Date] is [●] per cent. per annum] [from the Remuneration Rate Switch Date to the Settlement Date is [●] per cent. per annum]. The yield in respect of the Securities is [●]. Yield is calculated in accordance with the ICMA Method or any other method indicated in the relevant Final Terms. [The ICMA Method determines the effective interest rate for the securities taking into account accrued interest on a daily basis.]

***[Insert in the case of floating rate Remuneration:***

***[Insert in the case of “Screen Rate Determination” or “CMS Determination”:*** The Remuneration Rate for each Remuneration Period [from the Remuneration Commencement Date] [Remuneration Rate Switch Date] to the [Remuneration Rate Switch Date][Settlement Date] shall be determined by reference to [●- week[s]] [●- month] [3-month] [6-month] [12-month] [●- year] [GBP-][EUR-][USD-][CHF-] [●-] [EURIBOR] [LIBOR] [LIBID] [LIMEAN] [BOT] [*relevant yield of Government securities*] [CMS] appearing on [●]] (the “**Reference Rate**”) and will be determined as [the sum of a Margin of [●] and the Reference Rate so determined] [(i) the sum of a Margin of [●] and the Reference Rate so determined (ii) multiplied by a Rate Multiplier of [●]] [the sum of (i) a Margin of [●] and (ii) the Reference Rate so determined multiplied by a Rate Multiplier of [●]]. If no such rate appears on the applicable page at the relevant time on the Remuneration Determination Date, the rate shall be determined by the Calculation Agent using certain fallback methods. In respect of any short or long Remuneration Period as specified in the applicable Final Terms, the Calculation Agent will determine the Remuneration Rate using [Linear Interpolation] [the relevant Reference Rate on the Remuneration Determination Date]. [For the avoidance of doubt the Remuneration Rate may be a sum of or combination of more than one Reference Rate (plus any applicable Margin) if so specified in the relevant Final Terms.]

***[Insert in the case of “ISDA Determination”:*** The Remuneration Rate for each Remuneration Period [from the Remuneration Commencement Date] [Remuneration Rate Switch Date] to the [Remuneration Rate Switch Date][Settlement Date] shall be the [the sum of a Margin of [●] and the ISDA Rate] [(i) the sum of a Margin of [●] and the ISDA Rate (ii) multiplied by a Rate Multiplier of [●]] [the sum of (i) a Margin of [●] and (ii) the ISDA Rate multiplied by a Rate Multiplier of [●]] where “**ISDA Rate**” in relation to any Remuneration Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option (as defined in the ISDA Definitions) is [GBP-][EUR-][USD-][CHF-] [●-] [EURIBOR-] [LIBOR-] [LIBID-] [LIMEAN-] [*relevant yield of Government securities*] [*relevant swap rate*] [●-] [Reuters] [Bloomberg] [BBA] [●];
- (b) the Designated Maturity (as defined in the ISDA Definitions) is to [●- week[s]] [●- month] [3-month] [6-month] [12-month]; and
- (c) the relevant Reset Date (as defined in the ISDA Definitions) is [the first day of that Remuneration Period] [●].

In respect of any short or long Remuneration Period as specified in the applicable Final Terms, the Calculation Agent will determine the Remuneration Rate using

		<p>[Linear Interpolation] [the relevant Reference Rate on the Remuneration Determination Date]. [For the avoidance of doubt the Remuneration Rate may be a sum of or combination of more than one Reference Rate (plus any applicable Margin) if so specified in the relevant Final Terms.]</p> <p><b>“Linear Interpolation”</b> means the straight-line interpolation by reference to two rates based on the Reference Rate or the ISDA Rate, as the case may be, one of which will be determined as if the [Specified Duration] were the period of time for which rates are available next shorter than the length of the affected Remuneration Period and the other of which will be determined as if the [Specified Duration] or the Designated Maturity, as the case may be, were the period of time for which rates are available next longer than the length of such Remuneration Period.]</p> <p><b><i>[Insert if Rate Multiplier is applicable:</i></b></p> <p><i>Rate Multiplier</i></p> <p>The Remuneration Rate from the Remuneration Commencement Date to the [Remuneration Rate Switch Date] [from the [Remuneration Commencement Date] [Remuneration Rate Switch Date] to the Settlement Date] will also be subject to a Rate Multiplier of [ ].]</p> <p><b><i>[Insert if Reference Rate Multiplier is applicable:</i></b></p> <p><i>Reference Rate Multiplier</i></p> <p>The Remuneration Rate from the Remuneration Commencement Date to the [Remuneration Rate Switch Date] [from the [Remuneration Commencement Date] [Remuneration Rate Switch Date] to the Settlement Date] will [also] be subject to a Reference Rate Multiplier of [ ].]</p> <p><b><i>[Insert if Maximum Remuneration Rate and/or Minimum Remuneration Rate is applicable:</i></b></p> <p><i>[Maximum Remuneration Rate] [and] [Minimum Remuneration Rate]</i></p> <p>The Remuneration Rate [from the Remuneration Commencement Date to the [Interest Rate Switch Date][Settlement Date] will also be subject to a [[Maximum][Minimum] Remuneration Rate of [●]] [and] a [[Maximum][Minimum] Remuneration Rate of [●]] [and] [from the Remuneration Rate Switch Date to the Settlement Date will [also] be subject to a [[Maximum][Minimum] Remuneration Rate of [●]] [and] a [[Maximum][Minimum] Remuneration Rate of [●]].]</p> <p><i>Remuneration Rate Day Count Fraction</i></p> <p>The applicable Remuneration Rate Day Count Fraction for the calculation of the amount of Remuneration due within a Remuneration Period will be [1/1] [30/360 (Floating)] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/360] [Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (Fixed)].]</p> <p><b><i>[Insert in the case of Securities where Remuneration Amount – Component Cash Flows is applicable:</i></b></p> <p><i>Remuneration Amount</i></p> <p>The Remuneration Amount shall be with respect to each Security and a Remuneration Payment Date, an amount calculated by the Calculation Agent acting in good faith and in a commercially reasonable manner equal to the sum of the weighted net cash flows (such weighting being equal to the weighting of the relevant Component ETFs in the</p>
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		<p>relevant ETF Basket paid during the immediately preceding Rebalancing Period by the Component ETFs constituting the relevant Proprietary Index during the immediately preceding Rebalancing Period, net of any applicable taxes, costs, expenses, or redemption fees in respect of the immediately preceding Rebalancing Period.]</p> <p><i>Remuneration Periods</i></p> <p>The Remuneration Periods are the periods commencing on (and including) the Remuneration Commencement Date to (but excluding) the first Remuneration Accrual Date and each period commencing on (and including) a Remuneration Accrual Date to (but excluding) the next following Remuneration Accrual Date.</p> <p><i>Remuneration Commencement Date and Remuneration Payment Dates</i></p> <p>The Remuneration Commencement Date is [●]. The Remuneration Payment Dates will be [●].</p> <p><i>[Remuneration Determination Date]</i></p> <p>[The Remuneration Determination Date with respect to an Remuneration Period will be [the first day of each Remuneration Period] [the second day on which TARGET2 is open prior to the first day of each Remuneration Period] [the day falling two banking days prior to the first day of each Remuneration Period] [●].]</p> <p><i>Remuneration Accrual Dates</i></p> <p>The Remuneration Accrual Dates will be [●].</p> <p><b><i>[Insert if “Remuneration Rate Switch” is applicable:</i></b></p> <p><i>Remuneration Rate Switch Date</i></p> <p>The Remuneration Rate Switch Date for the Securities will be [●].]</p> <p><b><i>[Insert if Remuneration Barrier Event applies:</i></b></p> <p><i>Remuneration Barrier Event</i></p> <p>With effect from the date on which the Remuneration Barrier Event occurred, the Securities will cease to bear remuneration. On the immediately following Remuneration Payment Date, the Remuneration Amount payable will be reduced accordingly. Thereafter, there will be no further Remuneration Payment Dates and no further Remuneration Amounts payable with respect to the Securities.]</p>
C.19	<p><b>Exercise price or final reference price of the underlying</b></p>	<p>The Final Reference Level is [the Settlement Price on the Valuation Date] [the average of the Settlement Prices on each of the Averaging Dates].</p> <p><b><i>[Insert if the Securities are Credit Linked Certificates:</i></b></p> <p>Not applicable.</p>
C.20	<p><b>Description of the type of the underlying and the relevant source of information</b></p>	<p><b>Type:</b> [Index] [Basket of Indices] [Share] [Basket of Shares] [Currency] [Debt Instrument] [Basket of Debt Instruments] [Commodity] [Basket of Commodities] [Fund] [Basket of Funds] [[Basket of] Reference Entit[y][ies]]</p> <p><b>Name of Reference Item(s):</b> [●]</p> <p>Reference Item 1: [●]</p>

		<p>Reference Item 2: [●]</p> <p><b>[Nominal Amounts:</b> [●]</p> <p><b>[[Component:</b> [●]</p> <p><b>Component Weights:</b> [●]</p> <p><b>[Reference Entit[y] [ies] [and Related Nominal Amount]:</b> [●]</p> <p><b>[Reference Obligation(s):</b> [●]</p> <p><b>[Deliverable Obligation(s):</b> [●]</p> <p><b>[Credit Events:</b> [●]</p> <p><b>[Issuer][Sponsor]:</b> [●]</p> <p><b>[Price Source:</b> [●]</p> <p><b>[ISIN:</b> [●]</p> <p>Information on the historical and ongoing performance of the Reference Item [and its volatility] can be obtained [on the public website [●] and] on the [Bloomberg] [Reuters] page [●] [and at the offices of the relevant Issuer at [Piazzetta E. Cuccia, 1, 20121 Milan, Italy] [4, Boulevard Joseph II, L-1840 Luxembourg, Luxembourg].</p>
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#### Section D – Risks

Element	Description of Element	Disclosure requirement
D.2	Key risks specific to the Issuer(s)	<p>There are certain factors that may affect each Issuer's ability to fulfil its obligations under Securities issued under the Programme. These include the following risk factors related to the Mediobanca Group, its operations and its industry:</p> <ul style="list-style-type: none"> <li>(i) The general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors can change the level of demand for the relevant Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuers between lending and borrowing costs and the value of each of the relevant Issuer's investment and trading portfolios.</li> <li>(ii) The European sovereign debt crisis may adversely affect the Issuer's results of operations, business and financial conditions.</li> <li>(iii) The Mediobanca Group has exposure to European sovereign debt.</li> <li>(iv) Fluctuations in interest and exchange rates may affect each Issuer's results.</li> <li>(v) The financial results of the Issuer may be affected by general economic, financial and other business conditions.</li> <li>(vi) The credit and capital markets have been experiencing extreme volatility and disruption in recent months.</li> <li>(vii) Each of the Issuer's investment banking revenues, in the form of financial advisory and debt and equity underwriting fees, are directly related to the number and size of the transactions in which the relevant Issuer participates and may be impacted by continued or further credit market dislocations or sustained</li> </ul>

		<p>market downturns.</p> <p>(viii) In some of the businesses of each relevant Issuer, protracted adverse market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity.</p> <p>(ix) In recent months, international and domestic markets experienced extreme volatility and disruption. If extreme volatility and disruption continue in the future, the Issuers' liquidity can be adversely affected.</p> <p>(x) If the Issuer is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Issuers, it may lose market share in important areas of its business or incur losses on some or all of its activities.</p> <p>(xi) If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation, and to a certain extent its revenues and profits, may be negatively affected.</p> <p>(xii) Each of the Issuers, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty computer or telecommunication systems.</p> <p>(xiii) Systemic risk could adversely affect the businesses of the Issuer.</p> <p>(xiv) The investors should note that the portfolio of the Issuer contains so-called "over-the-counter" (OTC) derivatives. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Mediobanca Group may record further credit valuation adjustments on the underlying instruments insured by such parties.</p> <p>(xv) A downgrade of Mediobanca's rating may limit Mediobanca's opportunities to extend mortgage loans and may have a particularly adverse effect on Mediobanca's image as a participant in the capital markets, as well as in the eyes of its clients.</p> <p>(xvi) Changes in the Italian and European regulatory framework could adversely affect the business of the Issuer.</p> <p>(xvii) Each of the Issuers may be subject to increased capital requirements.</p> <p>(xviii) The price or value of a Securityholder's investment in Securities and/or the ability of Mediobanca to satisfy its obligations under the Securities may be affected by the finalization and implementation of the Crisis Management Directive.</p> <p>(xix) Each of the Issuers may be forced by the EBA to adopt measures aimed at bridging a capital gap indicated by the stress test in case the stress tests show that the bank does not meet the requested capital requirements.</p>
D.6	<p><b>Key risks specific to the securities</b></p>	<p>In addition, there are certain factors which are material for the purpose of assessing the risks related to the Securities.</p> <p><b>General</b></p> <p>(i) The Securities may not be a suitable investment for all investors. Investors should be aware that they may lose the value of their entire investment or part of it, as the case may be.</p> <p>(ii) An investment in the Securities, which are linked to the Reference Items, may entail significant risks not associated with investments in conventional securities such as debt or equity securities. Set out below is a description of</p>

the most common risks.

**Risks related to the structure of a specific issue of Securities**

- (i) The Securities involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Investors should be prepared to sustain a partial or total loss of the purchase price of the Securities.
- (ii) Certain general risk factors related to the Securities referencing a Reference Item, including that the market price of the Securities may be volatile; that investors may receive no remuneration; that investors may lose all or a substantial portion of their principal in case of non-capital guaranteed Securities; that the Reference Items may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other securities or indices; that the timing of changes in a Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations; that with respect to Physical Delivery Securities, there is no assurance that the value of the Entitlement received will not be less than the trading price of the Securities; and Securities are of limited maturity and, unlike direct investments in a share, index, currency, debt instrument, fund, commodity or other asset, investors are not able to hold Securities beyond the Settlement Date in the expectation of a recovery in the price of the underlying.
- (iii) The Cash Settlement Amount (in the case of Cash Settled Securities) or the value of the Entitlement less (in the case of Warrants) the Exercise Price (the **"Physical Settlement Value"**) (in the case of Physical Delivery Securities) at any time prior to expiration is typically expected to be less than the trading price of such Securities at that time. The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, a "time value" for the Securities.
- (iv) Prospective investors intending to purchase Securities to hedge against the market risk associated with investing in the Reference Item should recognise the complexities of utilising Securities in this manner.
- (v) Risks relating to Securities which are linked to emerging market Reference Item(s).
- (vi) Risks relating to Index Securities.
- (vii) Risks relating to the Proprietary Indices.
- (viii) Risks relating to Share Securities.
- (ix) Risks relating to Currency Securities.
- (x) Risks relating to Debt Securities.
- (xi) Risks relating to Commodity Securities,
- (xii) Risks relating to Fund Securities,
- (xiii) Certain considerations associated with Credit Securities, including that investors should note that Credit Linked Certificates differ from ordinary securities issued by the relevant Issuer in that the amount of principal and remuneration payable by the relevant Issuer is dependent on whether a Credit Event has occurred in respect of the relevant Reference Entity/ies, investors in Credit Linked Certificates will be exposed to the credit risk of the Reference Entity, holders of Credit Linked Certificates will have a contractual relationship only with the relevant Issuer and not with any obligor in respect of any Reference Obligation or any Reference Entity, any quotations used in the calculation of the Cash Settlement Amount may be affected by factors

		<p>other than the occurrence of the Credit Event, some Reference Obligations may have no, or only a limited, trading market, the terms and conditions of Credit Linked Certificates do not incorporate by reference the definitions and provisions of the 2003 ISDA Credit Derivatives Definitions (the “<b>Credit Derivatives Definitions</b>”) and there may be differences between the definitions used with respect to Credit Linked Certificates and the Credit Derivatives Definitions.</p> <p>(xiv) Certain considerations associated with Securities providing for the application of a component weight.</p> <p>(xv) Certain considerations associated with Securities providing for the application of a cap to the Reference Item(s)</p> <p>(xvi) Option Risk for Securities - the Securities are derivative financial instruments which may include an option right and which, therefore, have many characteristics in common with options; transactions in options involve a high level of risk.</p> <p>(xvii) Certain considerations relating only to Warrants, including that in the case of any exercise of Warrants, there will be a time lag between the time a Warrantheader gives instructions to exercise, or the time the Warrant is automatically exercised, and the time the applicable Cash Settlement Amount (in the case of cash settled warrants) relating to such exercise is determined, the risks associated with Minimum Exercise Amounts and that there may be limitations on a Warrantheader’s ability to exercise the Warrants.</p> <p>(xviii) Certain interest rate risks.</p> <p>(xix) Risks relating to Barrier Events.</p> <p>(xx) Risks relating to Remuneration Barrier Events.</p> <p><b>Risks related to Securities generally</b></p> <p>(i) The Issuer may have an <i>option to vary settlement</i>.</p> <p>(ii) The Terms and Conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.</p> <p>(iii) The Terms and Conditions of the Securities also provide that the Fiscal Agent and the relevant Issuer may, without the consent of Securityholders, agree to certain modifications to the conditions of the Securities.</p> <p>(iv) If an issue of Securities includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.</p> <p>(v) Risks associated with a Settlement Disruption Event occurring with respect to physically settled Securities.</p> <p>(vi) A holder of Securities must pay all Expenses relating to such Securities.</p> <p>(vii) 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, exercise or enforcement of any Security by any person and all payments made by the relevant Issuer shall be made subject to any such tax,</p>
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		<p>duty, withholding or other payment which may be required to be made, paid, withheld or deducted.</p> <p>(viii) It is not possible to predict whether the taxation regime applicable to Securities on the date of purchase or subscription will be amended during the term of the Securities.</p> <p>(ix) If the relevant Issuer determines that its performance under any Securities has, or that any arrangements made to hedge the relevant Issuer's obligations under any Securities have become, (i) illegal in whole or in part for any reason, or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, impossible or impracticable, the relevant Issuer may cancel such Securities.</p> <p>(x) The Terms and Conditions of the Securities 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.</p> <p>(xi) The risks associated with the Securities being represented by one or more Global Securities, which will be deposited with a common depository for Euroclear and Clearstream, Luxembourg.</p> <p>(xii) Risks associated with certain potential conflicts of interest.</p> <p>(xiii) The risks associated with it being impossible to know the amount of the Securities in circulation on the date of issue.</p> <p>(xiv) The impact on the price of the Securities if further tranches of Securities are issued.</p> <p>(xv) The risks associated with physical delivery requirements and settlement risk.</p> <p>(xvi) if applicable, the amount that Securityholders may receive in certain circumstances will be adjusted upwards or downwards to reflect the costs of unwinding any associated hedging transactions relating to the Securities.</p> <p>(xvii) Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Economic Area is required to provide to the tax authorities of another Member State of the European Economic Area details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person in favour of, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%.</p> <p>(xviii) the relevant Issuer and other financial institutions through which payments on the Securities are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Securities characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii) any Securities characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code or similar law implementing an intergovernmental approach to FATCA.</p> <p><b>Risks related to the market generally</b></p> <p>(i) Securities may have no established trading market when issued, and one may never develop. The Issuer has not any obligation to purchase the Securities from the Securityholders. However, should the relevant Issuer decide to</p>
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		<p>purchase the Securities, the secondary market pricing that the relevant Issuer may provide on the Securities may reflect the unwinding cost of the hedging portfolio (if any).</p> <p>(ii) The Issuer will pay amounts in respect of the Securities in the Settlement Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Settlement Currency.</p> <p>(iii) Credit ratings may not reflect all risks.</p> <p>(iv) The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers.</p> <p>(v) Implicit fees (e.g. placement fees, direction fees, structuring fees) may be a component of the Issue/Offer Price of the Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Securities in the secondary market.</p> <p>(vi) The Issuer and/or other entities may have the right to withdraw the offer in relation to the Securities, which in such circumstances will be deemed to be null and void.</p> <p>(vi) It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer, or any of its Affiliates may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private agreement.</p> <p>(vii) Mediobanca will use all reasonable endeavours to maintain the listing of the Securities, provided that if it becomes impracticable or unduly burdensome or unduly onerous to maintain such listing, then Mediobanca may apply to de-list the relevant Securities.</p>
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#### Section E – Offer

Element	Description of Element	Disclosure requirement
E.2b	Reasons for the offer and use of proceeds	The net proceeds of the issue of each Tranche of Securities will be used for the general corporate purposes of the relevant Issuer.
E.3	Terms and conditions of the offer	The offer to invest in the Securities is made from [●] to [●]. [The maximum and minimum amount of application is [●] and [●], respectively.] Payments by investors in respect of the purchase of the Securities shall be made by [●]. The results of the offer will be published in [●] on [●]. The Global Securities will be delivered to the relevant clearing system no later than on the Issue Date.
E.4	Material interests in the offer	[Not applicable. There are no material interests with respect to the issue and/or offer of Securities (including any conflicting interests).] [The following constitute material interests with respect to the issue and/or offer of Securities: [●].]
E.7	Estimated expenses	[Not applicable - No expenses will be specifically charged to the investors who purchase Securities by the Issuer.][A [●] fee of [●] shall be payable by the investors who purchase Securities to [●].] [●]

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## RISK FACTORS

*The Issuers and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Securities and the Guarantee issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuers and the Guarantor are 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 Securities issued under the Programme are also described below.*

*The Issuers and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Securities issued under the Programme, but the inability of the Issuers and the Guarantor to pay interest, principal or other amounts on or in connection with any Securities or the Guarantee may occur for other reasons which may not be considered significant risks by the Issuers and the Guarantor based on information currently available to them or which they may not currently be able to anticipate.*

*Investors should be aware that they may lose the value of their entire investment or part of it, as the case may be.*

*The purchase of Securities 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 Securities. Before making an investment decision, prospective investors should ensure that they understand the nature of the Securities 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 in this Base Prospectus and as supplemented from time to time.*

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

*By investing in the Securities 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 Securities and as to whether the investment in the Securities 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 relevant Issuer or the Dealers as investment advice or as a recommendation to invest in the Securities, it being understood that information and explanations related to the terms and conditions of the Securities shall not be considered to be investment advice or a recommendation to invest in the Securities. No communication (written or oral) received from the relevant Issuer or the Dealers shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Securities.*
- (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 Securities. It is also capable of assuming, and assumes, the risks of the investment in the Securities.*

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

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.*

*Prospective investors should also read the risk factors relating to Mediobanca set out in the English translation of the Mediobanca Registration Document (as defined below) which is incorporated by reference to this Base Prospectus as indicated in “Documents Incorporated by Reference” below.*

*Words and expressions defined in “Form of Final Terms”, “Terms and Conditions” or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the entire Base Prospectus. In this section, “Issuer” refers to Mediobanca and/or to Mediobanca International as appropriate.*

#### **1) Risks relating to the Issuers, the Guarantor and the Mediobanca Group**

**Factors that may affect the Issuers' and the Guarantor's ability to fulfil their obligations under Securities issued under the Programme.**

**Prospective investors should also read the risk factors relating to Mediobanca set out in the English translation of the Mediobanca Registration Document (as defined below) which is incorporated by reference to this Base Prospectus as indicated in “Documents Incorporated by Reference” below.**

*Each of the Issuer's financial results may be affected by events which are difficult to anticipate*

Each of the Issuer's earning and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, in each case on a regional, national and international level. Each of these factors can change the level of demand for the relevant Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the relevant Issuer between lending and borrowing costs and the value of the relevant Issuer's investment and trading portfolios.

***Risks arising from the Eurozone sovereign debt crisis***

The continued deterioration of the merit of credit of various countries, including, among others, Greece, Ireland and Portugal, together with the potential for contagion to spread to other countries in Europe, mainly Spain and Italy, has exacerbated the severity of the global financial crisis. Such developments have posed a significant risk to the stability and status quo of the European Monetary Union.

In particular, financial market conditions have remained challenging and, in certain respects, have deteriorated. In addition, the continued concern about sovereign credit risks in the Euro-zone and Italy in particular has progressively intensified, and International Monetary Fund and European Union financial support packages have been agreed for Greece, Ireland and Portugal.

Credit quality has generally declined, as reflected by the downgrades suffered by several countries in the Euro-zone, including Italy, since the start of the sovereign debt crisis. The large sovereign debts and/or fiscal deficits in certain European countries, including Italy, have raised concerns regarding the financial condition of Eurozone financial institutions and their exposure to such countries.

There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert “contagion” to other countries. If sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the relevant Issuer’s ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the relevant Issuer. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the relevant Issuer.

Rising market tensions might affect negatively the funding costs and economic outlook of some euro member countries, as has been the case of the three bailed out countries. This, together with the risk that some countries might leave the euro area, would have a material and negative impact on the Mediobanca Group and/or on the Mediobanca Group’s clients, with negative implications for the Mediobanca Group’s business, results and the financial position.

Lingering market tensions might affect negatively the global economy and hamper the recovery of the euro area. Moreover, the tightening fiscal policy by some countries might weigh on households’ disposable income and on corporate profits with negative implications for the Mediobanca Group’s business, results and the financial position. This trend will likely continue in the coming quarters.

Any further deterioration of the Italian economy would have a material adverse effect on the Mediobanca Group’s business, in light of the Mediobanca Group’s significant exposure to the Italian economy. In addition, if any of the countries in which the Mediobanca Group operates entered recession again, the Mediobanca Group’s results of operations, business and financial condition would be materially and adversely affected.

The European Central Bank’s unconventional policy (including a security market programme and provision of liquidity via “Longer Term Refinancing Operations” (LTRO) with full allotment) has contributed to ease tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the European Central Bank could halt or reconsider the current set up of unconventional measures would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Mediobanca Group’s business, results and financial position.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the euro area, global markets remain characterised by high uncertainty and volatility. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Mediobanca Group’s access to, and cost of, funding. Should the Mediobanca Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Mediobanca Group’s ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

### ***Risks in connection with the exposure of the Mediobanca Group to Eurozone sovereign debt***

In carrying out its activities, the Mediobanca Group holds substantial volumes of public-sector bonds, including bonds issued by European countries. The Group's total exposure in this respect as at 30 June 2013 is set out in the tables A.1.2.a and A.1.2.b of Part E of the audited consolidated annual financial statements of Mediobanca as at and for the year ended 30 June 2013 incorporated by reference into this Base Prospectus. This could give rise to operational disruptions to the Mediobanca Group's business.

Furthermore, Mediobanca is affected by disruptions and volatility in the global financial markets. In particular, Mediobanca's credit ratings are potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as Mediobanca and make it more likely that the credit rating of Securities issued under the Programme are downgraded.

Thus, any negative developments in the Mediobanca Group's sovereign exposure could adversely affect its results of operations, business and financial condition.

### ***Each of the Issuer's financial results are affected by changes in interest rates***

Fluctuations in interest rates in Italy and in the other markets in which the Mediobanca Group operates influence the Mediobanca Group's performance. The results of each Issuer's banking operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the relevant Issuer's financial condition or results of operations.

### ***Each of the Issuer's financial results may be affected by market declines and volatility***

The results of the Issuer may be affected by general economic, financial and other business conditions. During recessionary periods, there may be less demand for loan products and a greater number of the relevant Issuer's customers may default on their loans or other obligations. Interest rate rises may also impact the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the relevant Issuer's borrowers and counterparties, including sovereign states, can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

Each of the Issuers are therefore exposed by its very nature to potential changes in the value of financial instruments, including securities issued by sovereign states, due to fluctuations in interest rates, exchange rates and currencies, stock market and commodities prices and credit spreads, and/or other risks.

### ***Each of the Issuers are subject to credit and market risk. Current market conditions are unprecedented***

The credit and capital markets have been experiencing extreme volatility and disruption in recent months. To the extent that any of the instruments and strategies the relevant Issuer uses to hedge or otherwise manage its exposure to credit or capital markets risk are not effective, the relevant Issuer may not be able to mitigate effectively the relevant Issuer's risk exposures in particular market

environments or against particular types of risk. Each of the Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. Each of the Issuer's financial results also depend upon how effectively the relevant Issuer determines and assesses the cost of credit and manages its credit risk and market risk concentration. In addition, due to market fluctuations, weak economic conditions and/or a decline in stock and bond prices, trading volumes or liquidity, the relevant Issuer's financial results may also be affected by a downturn in the revenues deriving from its margin interests, principal transactions, investment banking and securities trading fees and brokerage activities.

***Sustained market weakness and volatility may adversely affect the Issuer's investment banking and financial advisory revenues and subject the relevant Issuer to risks of losses from clients and other counterparties***

Each of the Issuer's investment banking revenues, in the form of financial advisory and debt and equity underwriting fees, are directly related to the number and size of the transactions in which the relevant Issuer participates and may be impacted by continued or further credit market dislocations or sustained market downturns. Sustained market downturns or continued or further credit market dislocations and liquidity issues would also likely lead to a decline in the volume of capital market transactions that the relevant Issuer executes for its clients and, therefore, to a decline in the revenues that it receives from commissions and spreads earned from the trades the relevant Issuer executes for its clients. Further, to the extent that potential acquirers are unable to obtain adequate credit and financing on favourable terms, they may be unable or unwilling to consider or complete acquisition transactions, and as a result the relevant Issuer's merger and acquisition advisory practice would suffer.

In addition, declines in the market value of securities can result in the failure of buyers and sellers of securities to fulfil their settlement obligations, and in the failure of the relevant Issuer's clients to fulfil their credit obligations. During market downturns, the relevant Issuer's counterparties in securities transactions may be less likely to complete transactions. Also, the relevant Issuer often permits its clients to purchase securities on margin or, in other words, to borrow a portion of the purchase price from the relevant Issuer and collateralize the loan with a set percentage of the securities. During steep declines in securities prices, the value of the collateral securing margin purchases may drop below the amount of the investor's indebtedness. If the clients are unable to provide additional collateral for these loans, the relevant Issuer may lose money on these margin transactions. In addition, particularly during market downturns, the relevant Issuer may face additional expenses defending or pursuing claims or litigation related to counterparty or client defaults.

***Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses***

In some of the businesses of the Issuer, protracted adverse market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the relevant Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the relevant Issuer for which there are not very liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may have values that the relevant Issuer calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and failure to do so effectively could lead to losses that the relevant Issuer

did not anticipate or that were higher than those anticipated. This in turn could adversely affect the relevant Issuer's results of operations and financial condition.

***Market volatility and difficult access to debt capital markets can adversely affect the relevant Issuer's liquidity***

In the event that the extreme volatility and disruption experienced by international and domestic markets in recent months continue in the future, the relevant Issuer's liquidity can be adversely affected. Each of the Issuer's funding activity relies, for more than 20 per cent, on retail deposits with the Mediobanca Group company CheBanca!, on medium and long-term debt capital market issues offered to institutional investors and to the public. The placement to retail investors is made through public offerings (carried out by means of single banking networks – including that of Banco Posta – with exclusivity or through syndicated joined banking groups) and sold directly on the *Mercato Telematico delle Obbligazioni* managed by Borsa Italiana S.p.A. (MOT). Demand from institutional investors is met through public offerings on the Eurobond market and private placements of instruments tailored on the basis of the specific needs of the subscriber.

The volatility of the debt capital markets in Italy and abroad may impair the relevant Issuer's ability to raise funding through fixed-income instruments and may affect its liquidity in the long term. In addition, the wider credit spreads that the markets are experiencing can affect the relevant Issuer's aggregate cost of funding and have an impact on its financial results.

***Intense competition, especially in the Italian market, where the Issuer has the largest concentration of its business, could materially adversely affect the relevant Issuer's revenues and profitability***

Competition is intense in all of the Mediobanca Group's primary business areas in Italy and the other countries in which the relevant Issuer conducts its business. The Mediobanca Group derives most of its total banking income from its banking activities in Italy, a mature market where competitive pressures have been increasing quickly. If the Mediobanca Group is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Mediobanca Group, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the Italian economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for which to compete.

***Each of the Issuer's risk management policies, procedures and methods may nevertheless leave the relevant Issuer exposed to unidentified or unanticipated risks, which could lead to material losses***

Each of the Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risk and intends to continue to do so in the future. Nonetheless, the relevant Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the relevant Issuer fails to identify or anticipate. If existing or potential customers believe that the relevant Issuer's risk management policies and procedures are inadequate, the relevant Issuer's reputation as well as its revenues and profits may be negatively affected.

***Each of the Issuer is subject to operational risk***

Each of the Issuers, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty computer or telecommunication systems. Each of the Issuer's systems and processes are designed to ensure that the operational risks associated with the relevant Issuer's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the relevant Issuer's financial performance and business activities.

#### ***Systemic risks in connection with the economic/financial crisis***

It should be noted that the earnings capacity and stability of the financial system in which the relevant Issuer operates may be impacted by the general economic situation and the trends on financial markets, and, in particular, by the solidity and growth prospects of the economies of the country or countries in which the relevant Issuer operates, including its/their credit standing.

Such factors, particularly during periods of economic and financial crisis, could lead the relevant Issuer to incur losses, increases in the cost of financing, reductions in the value of assets held, with a potentially negative impact on the relevant Issuer's liquidity and the solidity of its capital.

#### ***Risks connected to the presence of OTC derivatives in the Mediobanca Group's portfolio***

The investors should note that the portfolio of the Mediobanca Group contains so-called "over-the-counter" (OTC) derivatives. The fair value of these OTC derivatives depends upon the both the valuation and the perceived credit risk of the instrument insured or guaranteed or against which protection has been bought and the credit quality of the protection provider. Market counterparties have been adversely affected by their exposure to residential mortgage linked products, and their perceived creditworthiness has deteriorated significantly since 2007. Although the Mediobanca Group seeks to limit and manage direct exposure to market counterparties, indirect exposure may exist through other financial arrangements and counterparties. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Mediobanca Group may record further credit valuation adjustments on the underlying instruments insured by such parties.

Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties could have a material adverse impact on the results of operations, financial condition and prospects of the Mediobanca Group.

#### ***EMIR***

Investors should also note that the OTC derivatives would be subject to the regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, known as the European Market Infrastructure Regulation ("EMIR") that came into force on 16 August 2012.

On 19 December 2012, the European Commission adopted nine of ESMA's Regulatory Technical Standards (the "**Adopted RTS**") and Implementing Technical Standards (the "**Adopted ITS**") on OTC Derivatives, CCPs and Trade Repositories (the Adopted RTS and Adopted ITS together being the "**Adopted Technical Standards**"), which included technical standards on clearing, reporting and risk mitigation (see further below). The Adopted ITS were published in the Official Journal of the European Union on 21 December 2012 and entered into force on 10 January 2013 (although certain of the

provisions thereof will only take effect once the associated regulatory technical standards enter into force). The Adopted RTS were published in the Official Journal of the European Union on 23 February 2013 and entered into force on 15 March 2013.

EMIR introduces certain requirements in respect of OTC derivative contracts applying to financial counterparties ("**FCPs**"), such as investment firms, credit institutions and insurance companies and certain non-financial counterparties ("**Non-FCPs**"). Such requirements include, amongst other things, the mandatory clearing of certain OTC derivative contracts (the "**Clearing Obligation**") through an authorised central counterparty (a "**CCP**"), the reporting of OTC derivative contracts to a trade repository (the "**Reporting Obligation**") and certain risk mitigation requirements in relation to derivative contracts which are not centrally cleared.

The Clearing Obligation applies to FCPs and certain Non-FCPs which have positions in OTC derivative contracts exceeding specified 'clearing thresholds'. Such OTC derivative contracts also need to be of a class of derivative which has been designated by ESMA as being subject to the Clearing Obligation. On the basis of the Adopted Technical Standards, it is likely that the Issuer will be treated as a Non-FCP for the purposes of EMIR and the swap transactions to be entered into by it on the Closing Date will not exceed the "clearing threshold".

A CCP will be used to meet the Clearing Obligation by interposing itself between the counterparties to the eligible OTC derivative contracts. For the purposes of satisfying the Clearing Obligation, EMIR requires derivative counterparties to become clearing members of a CCP, a client of a clearing member or to otherwise establish indirect clearing arrangements with a clearing member. Each derivative counterparty will be required to post both initial and variation margin to the clearing member (which in turn will itself be required to post margin to the CCP). EMIR requires CCPs to only accept highly liquid collateral with minimal credit and market risk, which is defined in the Adopted Technical Standards as cash, gold and highly rated government bonds.

The Reporting Obligation applies to all types of counterparties and covers the entry into, modification or termination of cleared and non-cleared derivative contracts which were entered into (i) before 16 August 2012 and which remain outstanding on 16 August 2012, or (ii) on or after 16 August 2012. The details of all such derivative contracts are required to be reported to a trade repository. It will therefore apply to the Swap Agreements and any replacement swap agreements.

FCPs and Non-FCPs which enter into non-cleared derivative contracts must ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational and counterparty credit risk. Such procedures and arrangements include, amongst other things, the timely confirmation of the terms of a derivative contract and formalised processes to reconcile trade portfolios, identify and resolve disputes and monitor the value of outstanding contracts. In addition, FCPs and those Non-FCP which exceed the specified clearing thresholds must also mark-to-market the value of their outstanding derivative contracts on a daily basis and have risk-management procedures that require the timely, accurate and appropriately segregated exchange of collateral.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the proposals to amend the existing Markets in Financial Instruments Directive ("**MiFID II**") which have not yet been finalised. In particular, MiFID II is expected to require all transactions in OTC derivatives to be executed on a trading venue. In this respect, it is difficult to predict the full impact of these regulatory requirements on the Issuer.

Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the relevant Issuer's ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware, however, that such risks are material and that the Issuer could be materially and adversely affected thereby. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR, technical standards made thereunder (including the Adopted Technical Standards) and the MIFID II proposals, in making any investment decision in respect of the Notes.

In addition, given that the date of application of some of the EMIR provisions and the EMIR technical standards remains uncertain and given that additional technical standard or amendments to the existing EMIR provisions may come into effect in due course, prospective investors should be aware that the relevant Transaction Documents may need to be amended during the course of the Transaction, without the consent of any Noteholder, to ensure that the terms thereof and the parties obligations thereunder are in compliance with EMIR and/or the then subsisting EMIR technical standards.

#### ***Risks connected to a potential rating downgrade***

Mediobanca is rated by Standard & Poor's Ratings Service, a Division of the McGraw Hill Companies Inc., in particular by Standard & Poor's Credit Market Services Italy S.r.l. ("S&P"). A downgrade of Mediobanca's rating (for whatever reason) might result in higher funding and refinancing costs for Mediobanca in the capital markets. In addition, a downgrade of Mediobanca's rating may limit Mediobanca's opportunities to extend mortgage loans and may have a particularly adverse effect on Mediobanca's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on Mediobanca's financial condition and/or the results of its operations.

#### ***Changes in the Italian and European regulatory framework could adversely affect the relevant Issuer's business***

The Issuers are subject to extensive regulation and supervision by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* (the Italian securities market regulator or "CONSOB") in relation to Mediobanca, the European Central Bank and the European System of Central Banks in relation to both Issuers and the CSSF in Luxembourg in relation to Mediobanca International. The banking laws to which the relevant Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the relevant Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing the international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and could significantly alter the relevant Issuer's capital requirements.

The supervisory authorities mentioned above govern various aspects of the relevant Issuer, which may include, among other things, liquidity levels and capital adequacy, the prevention and combating of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. In order to operate in compliance with these regulations, Mediobanca has in place specific procedures and internal policies. Despite the existence of these

procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect the Mediobanca Group's results of operations, business and financial condition. The above risks are compounded by the fact that, as at the date of this Base Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

Between the end of 2010 and the beginning of 2011 the Bank of Italy issued a series of measures which amended the Bank of Italy Circular No. 263 of 27 December 2006 (*Nuove Disposizioni di Vigilanza Prudenziale delle Banche*) as amended and supplemented (the "**Bank of Italy Regulations**") in order to adopt the provisions of EU Directive 2009/27/EC, 2009/83/EC and 2009/111/EC (together, "**CRD II**"), which amended EC Directives 2006/48/EC ("**CRD**") and 2006/49/EC and has changed, *inter alia*, the criteria for assessing capital eligible to be included in Tier I Capital and may require the relevant Issuer to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.

EU Directive 2010/76/EU ("**CRD III**") was issued on 24 November 2010 amending further the CRD as regards capital requirements for the trading book and for re-securitisations and the supervisory review of remuneration policies. This Directive introduces a number of changes in response to the recent and current market conditions, such as:

- an increase in the capital requirements for financial institutions in respect of trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- a limit on investments in re-securitisations and imposition of higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products; and
- a restriction on the remuneration payable to individuals fulfilling roles with a potential impact on a bank's risk profile.

In December 2010, January 2011 and July 2011, the Basel Committee on Banking Supervision issued documents containing a capital and liquidity reform package (the "**Basel III proposal**"). The main proposals are summarised as follows:

- revision of the regulatory capital definition and its components, setting higher minimum levels for Common Equity Tier I capital adequacy ratios and introducing requirements for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability;
- non-recognition or phasing-out of recognition of certain existing capital instruments as Common Equity Tier I Capital, Additional Tier I Capital or Tier II Capital starting from 1 January 2013;
- introduction of a capital conservation buffer designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred and a countercyclical buffer, and measures aimed at ensuring that systemically important financial institutions have loss-absorbing capacities which go beyond the minimum Basel

III standards, in order to ensure that banking sector capital requirements take into account the macro-financial environment in which banks operate;

- enhancement of risk coverage of the capital requirements framework, especially regarding derivatives and other off balance sheet items (counterparty credit risk), the exposures to central counterparties (CCPs) and the values of the risk parameters under stress conditions (market, credit and counterparty credit risk);
- introduction of a leverage ratio requirement as a supplementary measure to the risk-based capital requirements;
- promotion of stronger provisioning practices mainly by moving towards a forward looking (Expected Loss) provisioning approach; and
- introduction of global common liquidity measurement standards for the banking sector, which will subject banks to minimum quantitative requirements for liquidity and increased risk weightings for "illiquid" assets.

The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019. In January 2013, the Basel Committee reviewed its original proposal relating to liquidity requirements by taking into account concerns raised by the banking industry. As a result of this review, the Basel Committee decided that the phasing-in of the Liquidity Coverage Ratio should take place gradually (annual increase of 10 per cent.), starting with 60 per cent. in 2015 and ending with 100 per cent. in 2019. In addition, the Basel Committee expanded the definition of "high quality liquid assets" to include lower quality corporate securities, equities and residential mortgage backed securities.

In order to facilitate the implementation of the Basel III capital and liquidity standards in Europe, in July 2011 the European Commission proposed a legislative package to strengthen the regulation of the banking sector through the combination of an amendment to the Capital Requirements Directive (known as the "**CRD IV**") and the implementation of an EU regulation (the "**Capital Requirements Regulation**") directly in each member state (known as the "**CRR**" and, together with the CRD IV, the "**CRR/CRD IV Package**"). The CRR/CRD IV Package is largely consistent with the Basel Committee proposals described above and has been formally adopted by the European Council on 20 June 2013.

The CRR/CRD IV Package is a package of major reforms to EU legislation on prudential requirements for credit institutions and investment firms. While CRR has become directly applicable in all member states with effect from 1 January 2014, with the exception of certain provisions specified in Article 521, the new rules are subject to a series of transitional arrangements with phasing in of the rules occurring over a period of time.

Member states are also required to transpose the CRD IV and apply its provisions effective as from 1 January 2014. The CRD IV repealed the CRD with effect from 1 January 2014.

The CRD IV Directive implements Basel III-related reforms in the following areas:

- tightens the criteria for components to be recognised as regulatory capital, and in particular strengthens the definition of common equity (which is the main component of their Tier 1 capital);

- increases the minimum ratios for common equity and Tier 1 capital to 4.5% and 6% respectively, although the minimum capital ratio remains at 8%;
- introduces two capital buffers, which will apply in addition to the increased common equity and Tier 1 capital ratios;
- strengthens the capital requirements for counterparty credit risk (CCR) exposures arising from banks' derivatives, repo and security finance activities and encourages increased use of central counterparties (CCPs) for OTC derivatives trades;
- contains measures intended to address exposures to the risk of deterioration in the creditworthiness of a counterparty;
- sets out the Commission's initial proposals for the introduction of a leverage ratio, which is likely to be the ratio of Tier 1 capital to total non-weighted assets and off-balance exposures;
- sets out the Commission's initial proposals for the introduction of two new liquidity ratios intended to encourage banks to hold higher levels of unencumbered, high-quality liquid assets.

The CRD IV also addresses issues not directly related to the Basel III reforms, such as remuneration, single rule-book, corporate governance, sanctions and reliance on external ratings.

Furthermore, the Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is intended to (i) restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy; and (ii) reinforce the risk-based requirements with a simple, non-risk based “backstop” measure.

Implementation of the leverage ratio requirements has begun with bank-level reporting to national supervisors of the leverage ratio and its components from 1 January 2013, and will proceed with public disclosure starting 1 January 2015. The final calibration, and any further adjustments to the definition, will be completed by 2017, with a view to migrating to a minimum capital requirement treatment on 1 January 2018.

In addition, a new legislative proposal on the Financial Transaction Tax (the “FTT”) was published on 14 February 2013. The proposal followed the Council’s authorisation to proceed with the adoption of the FTT through enhanced cooperation, i.e. adoption limited to 11 countries – among which Italy, France, Germany and Austria. The national provisions implementing the proposed FTT have not entered in force yet.

New legislation or regulations which may come into force in the future may increase operating costs and have an adverse effect upon the business, results and prospects of the Mediobanca Group.

As some of the relevant banking laws and regulations affecting the Mediobanca Group have only been adopted recently, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Mediobanca Group. Prospective

investors in the Securities should consult their own advisors as to the consequences for them of the application of the above regulations as implemented in each Member State.

### ***Increased Capital Requirements***

Under the CRD IV and Basel III framework, the minimum capital requirement for common equity tier I ("**CET1**") (which does not include hybrid capital) will be phased in gradually from the current 2 per cent. of risk-weighted assets to up to 9.5 per cent. in 2019. The 9.5 per cent. requirement will include a "capital conservation buffer requirement" of 2.5 per cent. and a "countercyclical buffer requirement" of 0-2.5 per cent. in addition to a minimum base requirement of 4.5 per cent. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction. For each systemically important bank ("**SIB**") there will be additional buffer requirements on top of the 9.5 per cent.

### ***The Group may be subject to the provisions of the Crisis Management Directive, once finalised and implemented, in the future***

On 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Crisis Management Directive**" or "**CMD**"). The stated aim of the draft CMD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses. The powers provided to authorities in the draft CMD are divided into three categories: (i) preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a bank's deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of an institution presents a concern as regards the general public interest, a clear means to reorganise or wind down the bank in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses in insolvency (resolution).

The draft CMD currently contains four resolution tools and powers: (i) sale of business – which enables resolution authorities to proceed with the sale of the institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) bridge institution - which enables resolution authorities to transfer of all or part of the business of an institution to a "bridge bank" (a publically controlled entity); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time; and (iv) bail in - which gives resolution authorities the power to write down the claims of senior unsecured creditors and subordinated creditors of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail in tool).

The draft CMD contemplates that it will be implemented in Member States by 31 December 2014 except for the bail in tool which is to be implemented by 1 January 2018.

It is expected that the CMD bail-in tool will apply on implementation to instruments that are already in issue. If and to the extent that the draft CMD is implemented retrospectively so as to apply to Securities already in issue, such Securities will be subject to the provisions of the CMD (including the CMD bail-in tool).

The powers currently set out in the draft CMD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative procedure. As such, it is too early to anticipate the full impact of the draft directive but there can be no assurance that, once it is agreed upon and implemented, Securityholders will not be adversely affected by actions taken under it. In addition, there can be no assurance that, once the draft CMD is agreed upon and implemented, its application will not have a significant impact on the Mediobanca Group's results of operations, business, assets, cash flows and financial condition, as well as on funding activities carried out by the Mediobanca Group and the products and services offered by the Mediobanca Group.

There can be no assurance that, once the CMD is implemented, the fact of its implementation or the taking of any actions currently contemplated or as finally reflected in it would not adversely affect the price or value of a Securityholder's investment in Securities and/or the ability of Mediobanca to satisfy its obligations under the Securities and/or lead to the write-down or write-off of Securityholders' claims under the Securities.

Prospective investors in the Securities should consult their own advisers as to the consequences of the proposed CMD.

***Risks related to the relevant Issuer's potential implementation of capital strengthening initiatives in connection with the European Bank Authority (the "EBA") Capital Requirements***

The current Supervisory Regulations and the Basel III Rules include a set of rules for improving quality and quantity of capital as well as new rules for controlling the leverage and the pro cyclical intermediation. The implementing reforms are aimed to empower the capacity of the banking system to absorb shocks resulting from financial and economic tensions, regardless of their cause, reducing the risk of contagion of the financial sector by the real economy. In general, the evaluation of an appropriate bank capitalization could have direct impacts, among other things, on the rating and the cost of funding, and the necessity of any extraordinary transactions with consequent effects on economic and financial situation of each relevant financial institution and on its shareholders.

In May 2013 the EBA agreed on recommendations to supervisors to conduct asset quality reviews on major EU banks in order to dispel concerns over the deterioration of asset quality. Asset quality reviews can address uncertainties in balance sheet valuations, and an asset quality review should be conducted prior to starting the Single Supervisory Mechanism ("SSM") for banks which will be subject to direct supervision of the ECB in the SSM. In this respect, the set of EBA recommendations and the timeframe for the asset quality reviews and the EU-wide stress test will be published once the timeline of the SSM's balance sheet assessment is known.

If the stress tests - also taking into account the results of the asset quality review which could require, upon instructions of the supervisory authority, provisions higher than those envisaged - show that a bank does not meet the capital requirements set out by the EBA, then the supervisory authority could require the adoption of measures aimed at bridging a capital gap indicated by the stress test.

**2) Risks relating to the Securities**

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

**(A) *The Securities may not be a suitable investment for all investors***

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

- (i) proceed with investment only after fully appreciating the risks inherent in the nature of the Securities;
- (ii) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (iii) evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets;
- (v) consider all of the risks of an investment in the Securities, including Securities with payments thereunder payable in one or more currencies, or where the currency for payments thereunder is different from the potential investor's currency; and
- (vi) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- (vii) 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 Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities, Credit Securities or Commodity Securities may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in "Risks related to the structure of a particular issue of Securities" set out below.

Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments 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 Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

**(B) *Risks related to the structure of a particular Issue of Securities***

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

**(i) *General risks***

The Securities involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Investors should be prepared to sustain a partial or total loss of the purchase price of their Securities. This risk reflects the nature of a Security as an asset which, other factors held constant, tends to decline in value over time and which may become worthless on expiration. See "Certain Factors Affecting the Value and Trading Price of Securities" below. Prospective investors should be experienced with respect to options and option transactions, should understand the risks of transactions involving the relevant Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Securities in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Securities and the particular share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), reference entity (or reference entities) or commodity (or basket of commodities) to which the value of the relevant Securities may relate, as specified in the applicable Final Terms.

(ii) *Securities referencing a Reference Item*

The Issuer may issue Securities with the amount of principal repayable on maturity being determined by reference to a particular the particular share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), reference entity (or reference entities), commodity (or basket of commodities) (each, a "**Reference Item**"). Potential investors should be aware that:

- (a) the market price of such Securities may be volatile;
- (b) they may receive no interest;
- (c) since the Securities are not capital guaranteed, they may lose all or a substantial portion of their investment;
- (d) the Reference Items may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other securities or indices;
- (e) the timing of changes in a Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations;
- (f) if the Securities are Physical Delivery Securities, there is no assurance that the value of the underlying assets relating to the Reference Item received may be less than the trading price of the Securities; and
- (g) the Securities are of limited maturity and, unlike direct investments in a share, index, fund, currency, debt instrument, fund or commodity, investors are not able to hold Securities beyond the Settlement Date in the expectation of a recovery in the price of the Reference Item.

Securities linked to Reference Item(s) will represent an investment linked to the economic performance of the relevant Reference Item(s) and potential investors should note that the return (if any) on their investment in such Securities will depend upon the performance of such Reference Item(s). Securities linked to the difference in performance between two Reference Items (where Performance Differential is specified as being applicable in the relevant Final Terms) will represent an investment linked to the difference between the economic performance of the relevant Reference Items and potential investors should note that the return (if any) on their investment in such Securities will depend upon the relative

performance of such Reference Items. Potential investors should also note that whilst the market value of such Securities is linked to such Reference Item(s) and will be influenced (positively or negatively) by such Reference Item(s), any change in the market value of such Securities may not be comparable to changes in the market value of the Reference Item(s). It is impossible to predict how the market value of the relevant Reference Item(s) will vary over time.

Fluctuations in the value of the relevant index or basket of indices will affect the value of Index Securities. Fluctuations in the price of the relevant share or value of the basket of shares will affect the value of Share Securities. Fluctuations in the price or yield of the relevant debt instrument or value of the basket of debt instruments will affect the value of Debt Securities. Also, due to the character of the particular market on which a debt instrument is traded, the absence of last sale information and the limited availability of quotations for such debt instrument may make it difficult for many investors to obtain timely, accurate data for the price or yield of such debt instrument. Fluctuations in the rates of exchange between the relevant currencies will affect the value of Currency Securities. Fluctuations in the value of the relevant fund or the value of the basket of funds will affect the value of Fund Securities. Fluctuations in the market price for the purchase of credit protection in relation to the relevant reference entity or basket of reference entities will affect the value of Credit Securities. Fluctuations in the value of the relevant commodity or basket of commodities will affect the value of Commodity Securities. Investors risk losing their entire investment if the value of the relevant underlying basis of reference does not move in the anticipated direction.

The risk of the loss of some or all of the purchase price of a Security upon expiration means that, in order to recover and realise a return upon his or her investment, an investor must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), reference entity (or reference entities) or commodity (or basket of commodities). Assuming all other factors are held constant, the lower the value of a Security and the shorter its remaining term to expiration, the greater the risk that investors will lose all or part of their investment. With respect to European Style Warrants and to Certificates, the only means through which a holder can realise value from such Security prior to the Exercise Date in relation to such Security is to sell it at its then market price in an available secondary market.

The historical performances of a Reference Item should not be viewed as an indication of the future performance of such Reference Item during the term of any Securities. Accordingly, each potential investor should consult its own financial and legal advisers about the risks entailed by an investment in any Securities and the suitability of such Securities in light of its particular circumstances.

The Issuer may issue several issues of Securities relating to various Reference Items. However, no assurance can be given that the relevant Issuer will issue any Securities other than the Securities to which particular Final Terms relate. At any given time, the number of Securities outstanding may be substantial. Securities provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the underlying investment. In general, certain of the risks associated with the Securities are similar to those generally applicable to other options of private corporate issuers. Options or Securities on equities or debt securities are priced primarily on the basis of the value of underlying assets. The trading value of Currency Securities and Commodity Securities is likely to reflect primarily present and expected values of the reference currency (or basket of currencies) or commodity (or basket of commodities) specified in the applicable Final Terms.

*(ii) Certain Factors Affecting the Value and Trading Price of Securities*

The Cash Settlement Amount (in the case of Cash Settled Securities) or the value of the Entitlement less (in the case of Warrants) the Exercise Price (the “**Physical Settlement Value**”) (in the case of Physical Delivery Securities) at any time prior to expiration is typically expected to be less than the trading price of such Securities at that time. The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, a "time value" for the Securities. The "time value" of the Securities will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), reference entity (or reference entities), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms. Securities offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Securities varies with the price level of the share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms, as well as by a number of other interrelated factors, including those specified herein.

Before exercising (in the case of Warrants) or selling Securities, Securityholders should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value and volatility of the share (or basket of shares), index (or basket of indices), debt instrument (or basket of debt instruments), fund (or basket of funds), currency (or basket of currencies), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms, (iii) the time remaining to expiration, (iv), in the case of Cash Settled Securities, the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields if applicable, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the share (or basket of shares), index (or basket of indices), debt instrument (or basket of debt instruments), fund (or basket of funds), currency (or basket of currencies), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms, and (viii) any related transaction costs.

*(iii) Certain Considerations Regarding Hedging*

Prospective investors intending to purchase Securities to hedge against the market risk associated with investing in a share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), commodity (or basket of commodities) which is specified in the applicable Final Terms as being the Reference Item, should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not exactly correlate with the value of the relevant Reference Item. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the relevant Reference Item. For these reasons, among others, it may not be possible to purchase or liquidate securities in a portfolio at the prices used to calculate the value of any relevant Reference Item.

The Issuer and/or any of its respective Affiliates or agents may from time to time hedge the relevant Issuer's obligations under Securities (and under other instruments and OTC contracts issued by or entered into from time to time by the relevant Issuer and/or any of its respective Affiliates or agents relating to such securities) by taking positions, directly or indirectly, in the relevant Reference Item.

Although the relevant Issuer has no reason to believe that such hedging activities will have a material impact on the price of any relevant Reference Item, there can be no assurance that such hedging activities will not adversely affect the value of the Securities.

*(iv) Risks relating to Securities which are linked to emerging market Reference Item(s)*

Where the terms and conditions of the Securities reference one or more emerging market Reference Item(s), investors in such Securities should be aware that the political and economic situation in countries with emerging economies or stock markets may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries, including a significant risk of currency value fluctuation. Such instability may result from, among other things, authoritarian governments, or military involvement in political and economic decision-making, including changes or attempted changes in governments through extra constitutional means; popular unrest associated with demands for improved political, economic or social conditions; internal insurgencies; hostile relations with neighbouring countries; and ethnic, religious and racial disaffections or conflict. Certain of such countries may have in the past failed to recognise private property rights and have at times nationalised or expropriated the assets of private companies. As a result, the risks from investing in those countries, including the risks of nationalisation or expropriation of assets, may be heightened. In addition, unanticipated political or social developments may affect the values of a Reference Item investment in those countries. The small size and inexperience of the securities markets in certain countries and the limited volume of trading in securities may make the emerging market Reference Item(s) illiquid and more volatile than investments in more established markets. There may be little financial or accounting information available with respect to local issuers, and as a result it may be difficult to assess the value or prospects of the Reference Item(s).

*(v) Risks relating to Index Securities*

*General*

The Issuer may issue Index Securities which are securities whose performance is linked to the performance of an index (or basket of indices). An investment in Index Securities entails significant risks in addition to those associated with investments in a conventional debt security.

Factors affecting the performance of Indices may adversely affect the value of the Securities. Indices are comprised of a synthetic portfolio of shares, bonds, currency exchange rates, commodities, property or other assets, and as such, the performance of an Index is dependent upon the performance of components of such index, which may include interest rates, currency developments, political factors, market factors such as the general trends in capital markets or broad based indices and (in the case of shares) company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy. If an Index does not perform as expected, this will materially and adversely affect the value of Index Securities.

*Returns on the Securities do not reflect a direct investment in underlying shares or other assets comprising the Index*

The return payable on Securities that reference indices may not reflect the return a potential investor would realise if it actually owned the relevant assets comprising the components of the Index or owned a different form of interest in the relevant Index. For example, if the components of the Indices are

shares, Holders of Securities will not receive any dividends paid or distributions made on those shares and will not participate in the return on those dividends or distributions unless the relevant Index takes such dividends into account for purposes of calculating the relevant level. Similarly, Holders of Securities will not have any voting rights in the underlying shares or any other assets which may comprise the components of the relevant Index. Accordingly, Holders of Securities that reference Indices as Reference Items may receive a lower payment upon redemption/settlement of such Securities than such Holder of Securities would have received if it had invested in the components of the Index directly or other comparable instruments linked to the Index.

*A change in the composition or discontinuance of an Index could adversely affect the market value of the Securities*

The sponsor of any Index can add, delete or substitute the components of such Index or make other methodological changes that could change the level of one or more components. The changing of components of any Index may affect the level of such Index as a newly added component may perform significantly worse or better than the component it replaces, which in turn may affect the payments made by the relevant Issuer to the Holders of the Index Securities. The sponsor of any such Index may also alter, discontinue or suspend calculation or dissemination of such Index. The sponsor of an Index will have no involvement in the offer and sale of the Index Securities and will have no obligation to any Holder of such Securities. Accordingly, the sponsor of an Index may take any actions in respect of such Index without regard to the interests of the Holder of the Securities, and any of these actions could adversely affect the market value of the Index Securities.

*Additional risks in relation to Proprietary Indices*

Where the Index is a Proprietary Index, investors should also consider the following risks.

(a) *Factors affecting the Proprietary Index*

Factors affecting the performance of the Proprietary Index may adversely affect the value of the Securities. The Proprietary Index is comprised of a basket of Component ETFs and as such, the performance of the Underlying Index is dependent upon the performance of the Component ETFs, which may depend on interest rates, currency developments, political factors, market factors such as the general trends in capital markets. If the Proprietary Index does not perform as expected, this will materially and adversely affect the market value of the Securities and the Cash Settlement Amount payable by the relevant Issuer.

The frequency and magnitude of changes in the market prices of the Component ETFs (known as volatility) may affect the market value of the Securities. Volatility is affected by a number of factors such as macro economic factors, speculative trading and supply and demand in the options, futures and other derivatives markets. The volatility of the Component ETFs (and accordingly, the Proprietary Index) will move up and down over time (and sometimes more sharply than other securities and indices).

(b) *Returns on the Securities do not reflect a direct investment in the Component ETFs*

The return payable on the Securities may not reflect the return a potential investor would realise if it actually owned the Component ETFs or owned a different form of interest in the Proprietary Index. Accordingly, Securityholders may receive a lower Cash Settlement Amount than such

Securityholders would have received if they had invested in the Component ETFs directly or other comparable instruments linked to the Proprietary Index.

- (c) *A change in the weightings and/or composition of the Proprietary Index could adversely affect the market value of the Securities*

The Index Calculation Agent may on a quarterly basis change the weighting of the Component ETFs which comprise the Proprietary Index.

The changing of weighting of the Component ETFs may affect the level of the Proprietary Index. An increase in the weighting of a particular Component ETF may magnify the effect to the level of the Proprietary Index as a whole of a Component ETF that is performing badly. A decrease in the weighting of a particular Component ETF may moderate the benefit to the level of the Proprietary Index of a Component ETF that is performing well. Such circumstances may adversely affect the market value of the Securities and the Cash Settlement Amount payable by the relevant Issuer.

In addition, in the event that a Potential Substitution Event occurs, the Index Calculation Agent may, acting in a commercially reasonable manner, change the Basket composition by (a) adding a Component ETF to the Component ETFs which are then part of the Basket; or (b) removing a Component ETF from the Basket; or (c) substituting the relevant Component ETF with a Substitute Component ETF. In such circumstances, the Calculation Agent shall make all such amendments and adjustments to the terms of the Securities as deemed appropriate in good faith by the Calculation Agent in order to preserve the economic terms of the Securities.

A newly added Substitute Component ETF may perform significantly worse or better than the Component ETF it replaces. Adding a Component ETF to the Basket or removing a Component ETF from the Basket may affect the level of the Proprietary Index. Such circumstances may adversely affect the market value of the Securities and the Cash Settlement Amount payable by the relevant Issuer.

- (d) *The Underlying Index is a proprietary index*

The relevant Proprietary Index is owned and maintained by Mediobanca – Banca di Credito Finanziario S.p.A. as Index Sponsor. Mediobanca – Banca di Credito Finanziario S.p.A. as the Index Calculation Agent is also responsible for the composition and calculation of the Proprietary Index. Mediobanca – Banca di Credito Finanziario S.p.A. as Index Sponsor and Index Calculation Agent, is under no obligation to take into account the interests of the Securityholders. Mediobanca – Banca di Credito Finanziario S.p.A. as Index Sponsor and Index Calculation Agent will have the authority to make determinations with respect to the Proprietary Index that could materially and adversely affect the market value of the Securities and the Cash Settlement Amount payable by the relevant Issuer on the Settlement Date.

- (e) *Provision of information*

Each investor should be aware that Mediobanca – Banca di Credito Finanziario S.p.A. as Issuer, Calculation Agent, Index Sponsor and Index Calculation Agent has no obligation to provide the investor with any information which is in the public domain or any information additional to that which will be published on the ETF Index Sources.

### *Exposure to modification and disruption events*

The Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original Reference Item with another and/or to cause early redemption/settlement of the Securities, any of which may be adverse to Holders of Securities in connection with Index Modification, Index Cancellation, and Index Disruption. The Calculation Agent may determine that the consequence of any such event is to make adjustments to the Securities, or to replace such Index with another or to cause early redemption/ settlement of the Securities. The consequences of such amendments could adversely affect the market value of the Index Securities.

### *There are additional risks in relation to Commodity Indices*

See “Additional risks in relation to the “rolling” of commodity futures contracts (including commodity futures contracts which are Components of a Commodity Index)” below.

### *(vi) Risks relating to Share Securities*

#### *General*

The Issuer may issue Share Securities which are securities whose performance is linked to the performance of a share (or basket of shares). An investment in Share Securities entails significant risks in addition to those associated with investments in a conventional debt security.

In the case of Securities relating to a share (or basket of shares), no issuer of such shares will have participated in the preparation of the relevant Final Terms or in establishing the terms of the Securities and neither the relevant Issuer nor any Dealer will make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer of shares contained in such Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in this paragraph or in any relevant Final Terms) that would affect the trading price of the share will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of shares could affect the trading price of the share and therefore the trading price of the Securities.

Except as provided in the Terms and Conditions of the Securities in relation to Physical Delivery Securities, Securityholders will not have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant shares to which such Securities relate.

The performance of Shares is dependent upon macroeconomic factors, such as interest and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy. These factors are not within the relevant Issuer’s control and may result in a decline in the value of the Securities.

### *Lack of rights in respect of Shares*

Share Securities do not represent a claim against or an investment in any issuer of the relevant share(s) and investors will not have any right of recourse under the Share Securities to any such company or the shares. Share Securities are not in any way sponsored, endorsed or promoted by any issuer of the

relevant share(s) and such companies have no obligation to take into account the consequences of their actions for any holders. Accordingly, the issuer of a share may take any actions in respect of such share without regard to the interests of the investors in the Share Securities, and any of these actions could adversely affect the market value of the Share Securities.

#### *Exposure to modification and disruption events*

Upon determining that a Potential Adjustment Event, Merger Event, Tender Offer, De-listing, Nationalization, Insolvency or Additional Disruption Event has occurred in relation to an underlying Share, Share Company or Basket Company or the Calculation Agent has broad discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Securities and/or (ii) (in the case of a Merger Event, Tender Offer, De-listing, Nationalization or Insolvency Event) cause early redemption/settlement of the Securities, any of which determinations may have an adverse effect on the value of the Securities.

Potential Adjustment Events include (a) a sub-division, consolidation or re-classification of the Shares, (b) a distribution in kind, (c) an extraordinary dividend, (d) a call of the Shares that are not fully paid, (e) a repurchase by the issuer, or an affiliate thereof, of the Shares, (f) a separation of rights from the Shares or (g) any event having a dilutive or concentrative effect on the value of the Shares.

#### *Physical delivery of Shares*

Where the Securities linked to Shares include the right of the relevant Issuer, subject to the fulfilment of a particular condition, to redeem the Share Securities at their maturity by delivering Shares to the investor, the investors will receive such Shares rather than a monetary amount upon maturity. Holders will, therefore, be exposed to the issuer of such Shares and the risks associated with such Shares. The investor should not assume that he or she will be able to sell such Shares for a specific price after the redemption/settlement of the Securities, and in particular not for the purchase price of the Share Securities. Under certain circumstances the Shares may only have a very low value or may, in fact, be worthless. Holders may also be subject to certain documentary or stamp taxes in relation to the delivery and/or disposal of such Shares.

#### *(vii) Risks relating to Currency Securities*

##### *General*

The Issuer may issue Currency Securities, which are securities whose performance is linked to the performance of a foreign exchange rate. An investment in Currency Securities entails significant risks in addition to those associated with investments in a conventional debt security.

Fluctuations in exchange rates of the relevant currency (or basket of currencies) will affect the value of Currency Securities. The performance of foreign exchange rates is dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to international and domestic political factors, economic factors (including inflation rates in the countries concerned, interest rate differences between the respective countries), economic forecasts, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Measures taken by governments and central banks include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a

currency or imposition of exchange controls with respect to the exchange or transfer of a Settlement Currency that would affect exchange rates and the availability of a Settlement Currency which would affect return on the Currency Security or ability of the relevant Issuer to make delivery in the Settlement Currency.

Furthermore, investors who intend to convert gains or losses from the exercise or sale of Securities into their home currency may be affected by fluctuations in exchange rates between their home currency and the Settlement Currency of the Securities. Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value of a currency (or basket of currencies), regardless of other market forces (see "Exchange rate risks and exchange controls" below). Investors risk losing their entire investment if exchange rates of the relevant currency (or basket of currencies) do not move in the anticipated direction.

If additional warrants, certificates or options relating to particular currencies or particular currency indices are subsequently issued, the supply of warrants, certificates and options relating to such currencies or currency indices, as applicable, in the market will increase, which could cause the price at which the Currency Securities and such other warrants, certificates and options trade in the secondary market to decline significantly.

Currency Securities linked to emerging market currencies may experience greater volatility and less certainty as to the future levels of such emerging market currencies or their rate of exchange as against other currencies. See also "Risks relating to Securities which are linked to emerging market Reference Item(s)".

*(viii) Risks relating to Debt Securities*

*General*

An investment in Debt Securities will entail significant risks not associated with a conventional fixed rate or floating rate debt security. An investment in a Debt Security may not provide the same level of return as a direct investment in the underlying Debt Instrument.

*Exposure to modification and disruption events*

In certain circumstances, the Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original Debt Instrument with another and/or to cause early redemption/settlement of the Securities, any of which may be adverse to Holders of Securities. The Calculation Agent may determine that the consequence of any such event is to make adjustments to the Securities, or to replace the original Debt Instrument with another or to cause early redemption/settlement of the Securities. The consequences of such amendments could adversely affect the market value of the Index Securities.

*(ix) Risks relating to Commodity Securities*

*General*

The Issuer may issue Commodity Securities, which are securities whose performance is linked to the performance of a commodity (or basket of commodities). An investment in Commodity Securities entails significant risks in addition to those associated with investments in a conventional debt security.

*Ownership of the Securities will not entitle an investor to any rights with respect to any futures contracts or commodities included in or tracked by the Reference Item(s)*

An investor will not own or have any beneficial or other legal interest in, and will not be entitled to any rights with respect to, any of the commodities or commodity futures included in such Reference Item(s). Neither the relevant Issuer nor the Guarantor will invest in any of the commodities or commodity futures contracts included in such Reference Item(s) on behalf or for the benefit of the Holders.

*Factors affecting the performance of Commodities may adversely affect the value of the relevant Commodity Securities; Commodity prices may be more volatile than other asset classes*

The prices of commodities may be volatile and may fluctuate substantially if, for example, natural disasters or catastrophes, such as hurricanes, fires, or earthquakes, affect the supply or production of such commodities. Commodity prices also fluctuate due to general macro-economic forces and general market movements. The price of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any amount payable in respect of a Security is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of such payment in respect of a Security. The reduction in the amount payable on the redemption/settlement of the Security may result, in some cases, in a Holder receiving a smaller sum on redemption/settlement of the Security than the amount originally invested in such Commodity Security.

*Commodities may reference physical commodities or commodity contracts, and certain commodity contracts may be traded on unregulated or “under-regulated” exchanges*

Commodities comprise both (i) “physical” commodities, which need to be stored and transported, and which are generally traded at a “spot” price, and (ii) commodity contracts, which are agreements either to (a) buy or sell a set amount of an underlying physical commodity at a predetermined price and delivery period (which may be referred to as a delivery month), or to (b) make and receive a cash payment based on changes in the price of the underlying physical commodity.

Commodity contracts may be traded on regulated specialised futures exchanges (such as futures contracts). Commodity contracts may also be traded directly between market participants “over-the-counter” on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. Accordingly, trading in such “over-the-counter” contracts may not be subject to the same provisions as, and the protections afforded to, contracts traded on regulated specialised futures exchanges, and there may therefore be additional risks related to the liquidity and price histories of the relevant contracts and any Securities which reference any such commodity contracts may have reduced liquidity or greater price volatility or be subject to more extensive market disruptions.

*Commodity Securities which are linked to commodity futures contracts may provide a different return from Commodity Securities linked to the relevant physical commodity and will have certain other risks*

The price of a futures contract on a commodity will generally be at a premium or at a discount to the spot price of the underlying commodity. This discrepancy is due to such factors as (i) the need to adjust the spot price due to related expenses (e.g., warehousing, transport and insurance costs) and (ii) different methods being used to evaluate general factors affecting the spot and the futures markets. In addition, and depending on the commodity, there can be significant differences in the liquidity of the spot and the futures markets. Accordingly, Commodity Securities which are linked to commodity

futures contracts may provide a different return from Commodity Securities linked to the relevant physical commodity.

Investments in futures contracts involve certain other risks, including potential illiquidity. A holder of a futures position may find that such position becomes illiquid because certain commodity exchanges limit fluctuations in such futures contract prices pursuant to “daily limits”. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless holders are willing to effect trades at or within the limit. This could prevent a holder from promptly liquidating unfavourable positions and subject it to substantial losses. Futures contract prices in various commodities occasionally have exceeded the daily limit for several consecutive days with little or no trading. Any such losses in such circumstances could have a negative adverse effect on the return of any Securities the Reference Item of which is the affected futures contract. There can be no assurance that any such disruption or any other force majeure (such as an act of God, fire, flood, severe weather conditions, act of governmental authority or a labour dispute or shortage) will not have an adverse affect on the value of or trading in the Reference Item(s), or the manner in which it is calculated, and therefore, the value of the Securities.

In the case of a direct investment in commodity futures contracts, the invested capital may be applied in whole or in part by way of collateral in respect of the future claims of the respective counterparties under the commodity futures contracts. Such capital will generally bear interest, and the interest yield will increase the return of the investor making such direct investment. However, Holders of Securities linked to the price of commodity futures contracts do not participate in such interest yields from the hypothetical fully collateralised investment in commodity futures contracts.

*Additional risks in relation to the “rolling” of commodity futures contracts (including commodity futures contracts which are Components of a Commodity Index)*

Commodity contracts have a predetermined expiration date, which is the date on which trading of the commodity contract ceases. Holding a commodity contract until expiration will result in delivery of the underlying physical commodity or the requirement to make or receive a cash settlement. Alternatively, “rolling” the commodity contracts means that the commodity contracts that are nearing expiration (the “**near-dated commodity contracts**”) are sold before they expire and commodity contracts that have an expiration date further in the future (the “**longer-dated commodity contracts**”) are purchased.

Investments in commodities apply “rolling” of the component commodity contracts in order to maintain an ongoing exposure to such commodities.

“Rolling” can affect the value of an investment in commodities in a number of ways, including:

- (a) The investment in commodity contracts may be increased or decreased through “rolling”: Where the price of a near-dated commodity contract is greater than the price of the longer-dated commodity contract (the commodity is said to be in “backwardation”), then “rolling” from the former to the latter will result in exposure to a greater number of the longer-dated commodity contract being taken. Therefore, any loss or gain on the new positions for a given movement in the prices of the commodity contract will be greater than if one had synthetically held the same number of commodity contracts as before the “roll”. Conversely, where the price of the near-dated commodity contract is lower than the price of the longer-dated commodity contract (the commodity is said to be in “contango”), then “rolling” will result in exposure to a smaller number of the longerdated commodity contract being taken. Therefore, any gain or loss on the new

positions for a given movement in the prices of the commodity contract will be less than if one had synthetically held the same number of commodity contracts as before the “roll”.

- (b) Where a commodity contract is in contango (or, alternatively, backwardation) such may be expected to (though it may not) have a negative (or, alternatively, positive) effect over time: Where a commodity contract is in “contango”, then the price of the longer-dated commodity contract will generally be expected to (but may not) decrease over time as it nears expiry. In such event, rolling is generally expected to have a negative effect on an investment in the commodity contract. Where a commodity contract is in “backwardation”, then the price of the longer-dated commodity contract will generally be expected to (but may not) increase over time as it nears expiry. In such event, the investment in the relevant commodity contract can generally be expected to be positively affected.

Commodity indices are indices which track the performance of a basket of commodity contracts on certain commodities, depending on the particular index. The weighting of the respective commodities included in a commodity index will depend on the particular index, and is generally described in the relevant index rules of the index. Commodity indices apply “rolling” of the component commodity contracts in order to maintain an ongoing exposure to such commodities. Specifically, as a commodity contract is required to be rolled pursuant to the relevant index rules, the commodity index is calculated as if exposure to the commodity contract was liquidated and exposure was taken to another (generally longer-dated) commodity contract for an equivalent exposure. Accordingly, the same effects as described above with regard to “rolling” on the value of a Commodity Reference Item also apply with regard to the index level of a Commodity index.

*Legal and regulatory changes relating to the Commodities may lead to an early redemption*

Commodities are subject to legal and regulatory regimes that may change in ways that could affect the ability of the relevant Issuer and/or any entities acting on behalf of the relevant Issuer engaged in any underlying or hedging transactions in respect of the relevant Issuer’s obligations in relation to the Securities to hedge the relevant Issuer’s obligations under the Securities, and/or could lead to the early redemption/settlement of the Securities.

Commodities are subject to legal and regulatory regimes in the United States and, in some cases, in other countries that may change in ways that could negatively affect the value of the Securities. For example, the U.S. Congress is considering legislation intended to decrease speculation and increase transparency in the commodities markets. If enacted, such legislation may, among other things, require the U.S. Commodity Futures Trading Commission (“CFTC”) or exchanges to adopt rules establishing position limits on positions in commodity futures contracts. Such legislation could have an unpredictable impact on the value of any Commodity Securities. In addition, if the commodities are traded on a non- U.S. exchange, those foreign markets may be more susceptible to disruption than U.S. exchanges due to the lack of a government-regulated clearinghouse system and may be subject to exchange controls, expropriation, burdensome or confiscatory taxation, or moratoriums and political or diplomatic events.

*Exposure to modification and disruption events*

An investment in Commodity Securities also entails the risk of the occurrence of a Market Disruption Event with respect to the Commodities. In such cases, notice will be given to investors in accordance with the Conditions.

(x) *Securities Relating to Funds (or Baskets of Funds)*

*General*

The Issuer may issue Fund Securities which are securities whose performance is linked to the performance of an underlying fund (or basket of funds). An investment in Fund Securities entails significant risks in addition to those associated with investments in a conventional debt security.

Investors in Fund Securities should understand that:

- (a) there are market risks associated with an actual investment in the underlying fund(s), and while the Fund Securities do not create an actual interest in the underlying fund(s), the return on the Fund Securities generally involves the same associated risks as an actual investment in the underlying fund(s). The Issuer has not purported and does not purport to be a source of information concerning the market risks associated with such underlying fund or fund interests;
- (b) third parties, not related to the relevant Issuer or the Guarantor, may subscribe for and redeem underlying fund interests. These investments may affect the performance and volatility of such fund's net asset value and so subsequently affect, from time to time, the return on the Fund Securities;
- (c) the relevant Issuer has no control over the underlying fund(s) or the performance of such fund(s) and any performance of the underlying fund(s) necessary for the Fund Securities to yield a specified return is not assured. Potential investors in the Fund Securities should understand that the performance of the underlying fund(s) may, depending on the terms of the Fund Securities, strongly affect the value of payments on the Fund Securities;
- (d) the value of units in the underlying fund(s) and the income from it may fluctuate significantly. The Issuer makes no representation or warranty about, or guarantee of, the performance of an underlying fund;
- (e) the relevant Issuer has not provided and will not provide during the term of the Fund Securities prospective investors with any information or advice with respect to the performance of an underlying fund. The Issuer may have acquired, or during the term of the Fund Securities may acquire, non-public information with respect to an underlying fund, which will not be provided to the Securityholders;
- (f) the funds may follow a wide range of investment strategies, invest in assets in a number of different countries and invest in assets denominated in a number of different currencies. The returns to the Securityholders may, therefore, be materially affected by, among other things, market trends, exchange rate fluctuations and political and economic developments in the relevant countries. This may lead to substantial volatility in the net asset value of the funds;
- (g) the funds may have investment strategies and guidelines that are very broad. They may also be free to engage in additional or alternative strategies without reference to any other person including the relevant Issuer, the Guarantor and the investor;
- (h) the funds may often rely on a few individuals to determine their investment strategies and to make investment decision. The loss of such individuals could jeopardise the performance of the funds;

- (i) the funds may be engaged in a high level of trading with commensurately high brokerage and transaction costs, as well as costs associated with leverage, such as interest payments and margin maintenance. Such costs will adversely affect the net asset value of the funds and so may adversely affect the return on the Fund Securities;
- (j) the funds will be exposed to credit risks against brokers and other counterparties with which they deal in implementing their investment strategies;
- (k) where underlying funds invest in unlisted shares and certain other assets, risks associated with reduced liquidity and lack of objective valuations will arise. Additionally, the underlying funds may invest in emerging markets. This involves risks attributable to nationalisations, expropriation or taxation, currency devaluation, foreign exchange control, political, social or diplomatic instability or governmental restrictions. The capital markets in such countries have substantially less volume, and are generally less liquid and more volatile, than those in more developed markets. Disclosure and regulatory requirements could be less stringent than in other markets, with a low level of monitoring and limited and uneven enforcements of existing regulations;
- (l) an underlying fund may have no or a limited history, with no proven track record in achieving their stated investment objectives;
- (m) some or all of the underlying funds may be wholly unregulated investment vehicles and may trade in futures, options, forward exchange contracts and other derivative instruments, which may represent significant investment risks. In addition, underlying funds may acquire leveraged trading positions, including through the use of borrowing, and may engage in short selling. As a result of leverage, relatively small adverse price movements may result in substantial losses; and
- (n) an underlying fund itself may be subject to fees and charges on its investments which shall be borne by such fund and incorporated in the value of interests in it.

*Exposure to modification and disruption events*

Upon determining that Corporate Event, Substitution Event or certain other events have occurred in relation to Fund Securities, the Calculation Agent has broad discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Fund Securities (including replacing the affected fund by other funds) and/or (ii) cause early redemption/settlement of the Fund Securities, any of which determinations may have an adverse effect on the value of the Fund Securities.

*A fund may be subject to events which may adversely impact the value of Fund Securities*

If certain events specified in the Final Terms occur, the Calculation Agent may replace the fund by other funds and thereafter the amount payable in respect of the Securities will depend on and be calculated by reference to the performance of an alternate asset. This may have a considerable impact on the value of the Fund Securities and the amount payable in respect of the Fund Securities. Alternatively, any determination dates and payment dates may be changed by the Calculation Agent, or the amount paid per Security may be based on the only cash amounts that an investor in the fund actually received, which might be as low as zero.

### *Risk from composition and changes to a fund*

The management company of a fund can, without regard to the interests of the investors in the Fund Securities, add, delete or substitute any funds by reference to which the value of a fund is calculated or make other methodological changes that could change the investment profile of a fund. The management company may also determine to discontinue a fund. If a fund is discontinued, it may be replaced by other assets and/or the Fund Securities may be redeemed or exercised early.

In the event that a fund is materially modified or permanently cancelled or the management company fails to calculate or announce the net asset value of a fund, the Calculation Agent will either make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions of the Fund Securities as the Calculation Agent determines appropriate to account for the effect on the Fund Securities of such events, or may redeem or exercise the Fund Securities early. Any of these decisions or determinations may adversely impact the value of the Fund Securities.

### *Funds may be subject to transfer restrictions and illiquidity*

Funds and the assets thereof may be subject to transfer restrictions arising by way of applicable securities laws or otherwise. Such restrictions may mean that investors are not entitled to acquire interests in the funds directly. Holders of units or shares (however described) in a fund may have the right to transfer or withdraw their investment in the funds only at certain times and upon completion of certain documentary formalities and such rights may be subject to suspension or alteration. These circumstances may affect the net asset value of the funds in question. Potential investors should familiarise themselves with the features of the funds in this regard.

### *Events which affect the value of a fund will affect the value of Fund Securities*

The occurrence of any of the following events could materially and adversely affect the value of shares or units in a Fund, and have a consequent material and adverse effect on the value of Fund Securities: .

- *Valuation:* The valuation of funds is generally controlled by the management company of the fund. Valuations are performed in accordance the terms and conditions governing the fund. Such valuations may be based upon the unaudited financial records of the fund and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the fund and accounts. The fund may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable net asset values may be difficult to obtain. In consequence, the management company may vary certain quotations for such investments held by the fund in order to reflect its judgement as to the fair value thereof.

Therefore, valuations may be subject to subsequent adjustment upward or downward. Uncertainties as to the valuation of fund assets and/or accounts may have an adverse effect on the net asset value of the fund where such judgements regarding valuations prove to be incorrect.

- *Trading charges:* The performance of a fund will be affected by the charges incurred thereby relating to the investments of such fund. The fund may engage in short-term trading which may result in increased turnover and associated higher than normal brokerage commissions and other expenses.

- *Legal and regulatory changes:* Future changes to applicable law or regulation may be adverse to a fund.
- *Investment risk:* All investments risk the loss of capital and/or the diminution of investment returns. A fund may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realizable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses.
- *Illiquidity:* A fund may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated.
- *Performance risk:* No assurance can be given relating to the present or future performance of a fund. The performance of a fund is dependent on the performance of the management company thereof. Certain management companies may utilise analytical models upon which investment decisions are based. No assurance can be given that these persons will succeed in meeting the investment objectives of the fund, that any analytical model used thereby will prove to be correct or that any assessments of the short-term or long-term prospects, volatility and correlation of the types of investments in which the funds have invested or will invest will prove accurate.
- *Effect of exchange rates and exchange controls:* The net asset value of a fund could be adversely affected not only by hedging costs and changes in exchange rates, but also by local exchange control regulations and other limitations, including currency exchange limitations and political and economic developments in the relevant countries.
- *Market risks:* The markets in which a fund invests may prove to be highly volatile from time to time as a result of, for example, sudden changes in government policies on taxation and currency repatriation or changes in legislation relating to the value of foreign ownership in companies, and this may affect the net asset value at which a fund may liquidate positions to meet repurchase requests or other funding requirements.
- *Hedging risks:* A fund may in certain cases employ various hedging techniques to reduce the risk of investment positions. A substantial risk remains, nonetheless, that such techniques will not always be available and when available, will not always be effective in limiting losses. A fund may take substantial unhedged positions.
- *Interest rate risks:* The values of securities held by a fund (or by any underlying fund) tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding net asset values of a fund's positions to move in directions which were not initially anticipated. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose a fund to losses.
- *Absence of regulation:* A fund may not be regulated under the laws of any country or jurisdiction. As a result, certain protections of such laws (which, among other things, may require investment companies to have disinterested directors, require securities to be held in custody and segregated, regulate the relationship between the investment company and its adviser and mandate investor

approval before fundamental investment policies may be changed) do not apply to a fund. This absence of regulation may adversely affect the performance of a fund.

- *Suspension of trading:* A securities exchange typically has the right to suspend or limit trading in any instrument traded on that exchange. A suspension could render it impossible for a fund to liquidate positions and thereby expose a fund to losses.
- *Dependence on key individuals:* The success of a fund is dependent on the expertise of its managers. The loss of one or more individuals could have a material adverse effect on the ability of a fund manager to direct a fund's portfolio, resulting in losses for a fund and a decline in the value of a fund. Indeed, certain fund managers may have only one principal, without whom the relevant fund manager could not continue to operate.
- *Experience of fund managers:* Certain funds may be managed by investment managers who have managed hedge funds for a relatively short period of time. The previous experience of such investment managers is typically in trading proprietary accounts of financial institutions or managing unhedged accounts of institutional asset managers or other investment firms. As such investment managers do not have direct experience in managing funds or hedge funds, including experience with financial, legal or regulatory considerations unique to fund management, and there is generally less information available on which to base an opinion of such managers' investment and management expertise, investments with such investment managers may be subject to greater risk and uncertainty than investments with more experienced fund managers.
- *Risk of fraud:* There is a risk that a fund manager could divert or abscond with the assets, fail to follow agreed-upon investment strategies, provide false reports of operations or engage in other misconduct.
- *Performance compensation payable to fund managers:* The performance-based compensation paid to a fund manager is typically calculated on a basis that includes unrealised appreciation and may consequently be greater than if such compensation were based solely on realised gains. Each fund generally calculates its own performance compensation based on its individual performance, irrespective of increases in the overall value of the fund. Furthermore, when the fund is rebalanced and an unprofitable underlying asset is removed, the loss carried forward by such fund's trading is eliminated for purposes of calculating subsequent performance compensation due to the fund manager of any replacement underlying asset. Thus, there may be substantial incentive compensation due to the relevant fund manager even during a period when the portfolio of assets is incurring significant losses.
- *Concentration risk:* As many hedge funds have the authority to concentrate their investments in securities of a single issuer or industry, the overall adverse impact on one or more components of the fund, and correspondingly on the value of the fund, of adverse movements in the value of such securities could be considerably greater than if the fund were not permitted to concentrate their investments. Moreover, a number of hedge funds included as components in a fund might accumulate substantial positions in the same or related instruments at the same time. As information regarding the actual investments made by such funds is not generally available, the management company will be unable to identify any such accumulations, which could expose the relevant fund to the risk of sudden and severe declines.

- *Risks of leverage:* A fund may borrow without limitation and typically utilise various lines of credit and other forms of leverage. In addition, certain of a fund's investment strategies (primarily those utilising derivative instruments) may involve indirect forms of leverage. While leverage presents opportunities for increasing a fund's total return, it increases the potential risk of loss as well. Any event which adversely affects the value of an investment by a fund is magnified to the extent that such investment is leveraged. Leverage can have a similar effect on issuers in which a fund invests. The use of leverage by a fund could result in substantial losses which would be greater than if leverage had not been used. A fund's assets may be further leveraged or hedged by the use of derivatives. In addition, investments of a fund may include investments in partnerships and other pooled investment vehicles, which themselves employ leverage to a significant extent. Such investments are subject to the same leverage risks as described above and a fund could lose its entire investment. As a general matter, the banks and dealers that provide financing to a fund can apply essentially discretionary margin, haircut, financing and security and collateral valuation policies. Changes by banks and dealers in these policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous net asset values.
- *Non-deductible taxes:* As funds may be resident in so-called off-shore jurisdictions, which have not entered into any double taxation conventions with other countries, any income of such fund may be subject to taxation in the countries of origin. As such withholding taxes are non-deductible due to the fact that such funds are not subject to income taxation in their countries of residence, the fund's net income may be reduced which may have a negative impact on the performance of such fund.
- *Investment criteria:* It may be difficult to specify precisely or comprehensively the strategies of a fund. As a result, it may not sometimes be clear whether or not a fund fulfils the investment criteria set out in its offering document.
- *Risks of equity investments:* The investment orientation of a fund may be based to a significant extent on equity investments. Investment in equity securities to aggressively seek capital appreciation is speculative and is generally perceived to encompass greater risks than those involved in connection with an investment in debt securities of comparable issuers.
- *Risks of fixed income investments:* A fund may invest in fixed income securities and, therefore, may be exposed to the risk of default by the issuers of such securities. Such default may result in delays in payment, or non-payment of interest or principal when due. Furthermore, the net asset value of fixed income securities may also fluctuate with changes in prevailing interest rates and/or in the creditworthiness of the issuer, and these fluctuations may result in a loss of capital by a fund.
- *Risks of collective investment schemes:* Some funds may invest in other collective investment schemes. Investment in schemes of this type may afford the investor less transparency in respect of the ultimate assets of the scheme.
- *Large transactions:* Large subscriptions and redemptions may result in the liquidation or dilution of fund assets that may affect the net asset value of such fund.
- *Emerging markets:* A fund may invest in securities of governments of, or companies domiciled in, less-developed or emerging markets. See "Risks relating to Securities which are linked to emerging market Reference Item(s)". Custody arrangements in such countries may also present enhanced risk.

- *Risks of repos:* A fund may use repurchase agreements. Under a repurchase agreement, a security is sold to a buyer and at the same time the seller of the security agrees to buy back the security at a later date at a higher net asset value. In the event of a bankruptcy or other default of the transferor of securities in a repurchase agreement, a fund could experience delays in liquidating the underlying securities and losses, including possible declines in the value of the collateral during the period while it seeks to enforce its rights thereto; possible subnormal levels of income and lack of access to income during this period and the expenses of enforcing its rights. In the case of a default by the transferee of securities in a repurchase agreement, the management company bears the risk that the transferee may not deliver the securities when required.
- *Risks of currency speculation:* A fund may engage in exchange rate speculation. Foreign exchange rates have been highly volatile in recent years. The combination of volatility and leverage gives rise to the possibility of large profit but also carries a high risk of loss. In addition, there is counterparty credit risk since foreign exchange trading is done on a principal to principal basis.
- *Risks of commodity futures:* Commodity futures prices can be highly volatile. As a result of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.
- *Risks of derivative instruments:* A fund may use derivative instruments, such as collateralised debt obligations, stripped mortgage-backed securities, options and swaps. There are uncertainties as to how the derivatives market will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against such instruments. The prices of these instruments are volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the positions held by a fund, thereby causing substantial losses. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers. These banks and dealers have no obligation to make markets in these instruments and may apply essentially discretionary margin and credit requirements (and thus, in effect, force a fund to close out its relevant positions). In addition, such instruments carry the additional risk of failure to perform by the counterparty to the transaction. Government policies, especially those of the U.S. Federal Reserve Board and non-U.S. central banks, have profound effects on interest and exchange rates which, in turn, affect prices of derivative instruments. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.
- *Risks of short selling:* A fund may sell securities short. Short selling exposes a fund to theoretically unlimited risk due to the lack of an upper limit on the price to which a security may rise. Short selling involves the sale of borrowed stock. If a stock loan is called, the short seller may be forced to repurchase the stock at a loss. In addition, some traders may attempt to profit by forcing short sellers to incur a loss. Traders may make large purchases of a stock that has been sold short. The large purchases are intended to drive up the stock price, and cause the short sellers to incur losses. By doing this, the traders hope the short sellers will limit their losses by repurchasing the stock and force the stock price even higher.

- *Risks of arbitrage:* The use of arbitrage strategies by a fund in no respect should be taken to imply that such strategies are without risk. Substantial losses may be incurred on “hedge” or “arbitrage” positions, and illiquidity and default on one side of a position may effectively result in the position being transformed into an outright speculation. Every arbitrage strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the net asset value spread between different classes of stock for the same underlying firm. Further, there are few examples of “pure” arbitrage funds. Most funds also employ limited directional strategies which expose them to market risk.
- *Credit risk:* Many of the markets in which a fund effects its transactions are “over-the-counter” or “inter-dealer” markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. To the extent that a fund invests in swaps, derivatives or synthetic instruments, or other over-the-counter transactions in these markets, such fund may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions, which generally are characterised by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject a fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such “counterparty risk” is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of a fund to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses.
- *Risks relating to controlling stakes:* A fund may take controlling stakes in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability.

*As the shares of certain funds may only be redeemable on certain dates, there is a risk of delays or defaults in payment*

The shares of a fund may only be redeemable on certain redemption dates, subject to the prescribed notice period in respect of such fund. This gives rise to a time delay between the execution of an order for redemption and payment of the proceeds on such redemption. If the fund becomes insolvent following the date on which a redemption order would have to be notionally placed or the Calculation Agent determines that the relevant fund would fail to pay to any shareholder in cash the full redemption proceeds owing to them if they redeemed their shares on the relevant date, an adjustment may be made by the Calculation Agent when calculating the return on the Securities to the net asset value per share of the relevant fund, thereby reducing the return on the Securities.

In the case of Fund Securities linked to exchange traded funds (“ETFs”), if the Calculation Agent determines 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 Securities and/or may delay settlement in respect of the Securities. Potential investors should review

the relevant Terms and Conditions and the applicable Final Terms to ascertain whether and how such provisions apply to the Fund Securities.

The market price of Fund Securities may be volatile and may depend on the time remaining to the redemption date or settlement date (as applicable) and the volatility of the price of fund share(s) or unit(s). The price of fund share(s) or unit(s) 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.

*(xi) Credit Securities*

The Issuer may issue Credit Linked Certificates, which are securities whose performance is linked to the performance of one or more Reference Entities and the obligations of such Reference Entity/ies. An investment in Credit Linked Certificates entails significant risks in addition to those associated with investments in a conventional security.

Investors should note that Credit Linked Certificates differ from ordinary securities issued by the relevant Issuer in that the cash settlement amount and remuneration payable by the relevant Issuer is dependent on whether a Credit Event has occurred in respect of the relevant Reference Entity/ies. In certain circumstances the Credit Linked Certificates will cease to bear interest and the value paid to Certificateholders on exercise may be less than their original investment and may in certain circumstances be zero. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of investing in Credit Linked Certificates as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation.

Investors in the Credit Linked Certificates will be exposed to the credit risk of the Reference Entity. Prospective investors should conduct their own investigations and, in deciding whether or not to purchase the Credit Linked Certificates, should form their own views of the merits of an investment related to the Credit Linked Certificates based upon such investigations. In particular, each investor contemplating purchasing any Credit Linked Certificates should make its own appraisal of the Reference Entity. If in doubt, potential investors are strongly recommended to consult with their independent legal and financial advisers before making any investment decision. Neither the relevant Issuer nor any other person on their behalf makes any representation or warranty, express or implied, as to the credit quality of the Reference Entity. The Issuer may have acquired, or during the term of the Credit Linked Certificates may acquire, confidential information with respect to the Reference Entity and is not required to disclose this information to the Certificateholder or any other party.

Holders of Credit Linked Certificates will have a contractual relationship only with the relevant Issuer and not with any obligor in respect of any Reference Obligation or any Reference Entity. Consequently, the Credit Linked Certificates will not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation or any Reference Entity. Holders of Credit Linked Certificates will have rights solely against the relevant Issuer and will have no recourse against the obligor in respect of any Reference Obligation or any Reference Entity. The Certificateholders will not have any rights to acquire from the relevant Issuer (or to require the relevant Issuer) to transfer, assign or otherwise dispose of any interest in any Reference Obligation or any Reference Entity.

The Credit Linked Certificates are linked to the creditworthiness of the relevant Reference Entity/ies. The likelihood of a Credit Event occurring in respect of any Reference Entity will generally fluctuate

with, among other things, the financial condition and other characteristics of such Reference Entity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

Any quotations used in the calculation of the Cash Settlement Amount may be affected by factors other than the occurrence of the Credit Event. Such prices may vary widely from dealer to dealer and substantially between Valuation Dates. The obligations selected, even absent a Credit Event, may be illiquid and such illiquidity may be expected to be more pronounced following the occurrence of a Credit Event, thereby adversely affecting any determination of the value of such obligation which in turn will impact on the amount by which the Cash Settlement Amount of the Credit Linked Certificates may be reduced. The Calculation Agent is entitled to select the obligation which has the lowest value in the market at the relevant time – providing such obligation satisfies certain specifications and limits for qualification as a Reference Obligation – for the purposes of calculating the amount by which the Cash Settlement Amount is reduced following a Credit Event.

Some Reference Obligations may have no, or only a limited, trading market. The liquidity of Reference Obligations will generally fluctuate with, among other things, the underlying liquidity of the loan and bond markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the relevant Reference Entity/ies. The financial markets have experienced periods of volatility and reduced liquidity which may re-occur and reduce the market value of the relevant Reference Obligation(s).

Some or all of the Reference Obligations may also be subject to restrictions on transfer and may be considered illiquid. If a Credit Event occurs in respect of a Reference Entity, any resulting diminution in market value of the related Reference Obligation could be further magnified by reason of such limited liquidity for Reference Obligations generally or that Reference Obligation in particular.

Investors in the Credit Linked Certificates will be exposed to the credit risk of the Reference Entity from the Credit Event Backstop Date. The Credit Event Backstop Date may be a date prior to the Issue Date of the Credit Linked Certificates. If the Credit Observation Start Date is specified as applicable in the relevant Final Terms, prospective investors in the Credit Linked Certificates will be exposed to the credit risk of the Reference Entity from Credit Observation Start Date. If such date precedes the Issue Date, prospective investors should note that while they have exposure to Credit Events occurring prior to the Issue Date, they will not receive interest for any period prior to the Issue Date.

The terms and conditions of Credit Linked Certificates do not incorporate by reference the definitions and provisions of the 2003 ISDA Credit Derivatives Definitions (the “**Credit Derivatives Definitions**”) and there may be differences between the definitions used with respect to Credit Linked Certificates and the Credit Derivatives Definitions. Consequently, investing in the Credit Linked Certificates is not exactly equivalent to investing in a credit default swap that incorporates the Credit Derivatives Definitions.

While ISDA has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit derivative market, the credit derivative market has evolved over time and is expected to continue to change. Consequently, the Credit Derivatives Definitions and the terms applied to credit derivatives, including credit linked securities, are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the

continued evolution in the market, interpretation of the Credit Linked Certificates may differ in the future because of future market standards. Such a result may have a negative impact on the Credit Linked Certificates. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to Credit Linked Certificates that have already been issued if the relevant Issuer and the Certificateholders agree to amend the Credit Linked Certificates to incorporate such amendments or supplements and other conditions to amending the Credit Linked Certificates have been met.

Credit Derivatives Determinations Committees were established pursuant to the March 2009 Supplement to the 2003 ISDA Credit Derivatives Definitions to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. In making any determination the relevant Issuer or the Calculation Agent may have regard to decisions made by announcements, determinations and resolutions made by ISDA and/or the ISDA Credit Derivatives Determinations Committees. Such announcements, determinations and resolutions could affect the redemption and settlement of the Credit Linked Certificates (including the quantum and timing of payments and/or deliveries on redemption). For the avoidance of doubt, neither the relevant Issuer nor the Calculation Agent accept any liability to any person for any determinations, redemption, calculations and/or delay or suspension of payments and/or redemption of Credit Linked Certificates resulting from or relating to announcements, publications, determinations and resolutions made by ISDA and/or any Credit Derivatives Determinations Committee. Further information about the Credit Derivatives Determinations Committee may be found at [www.isda.org/credit](http://www.isda.org/credit).

By subscribing for or purchasing Credit Linked Certificates, each Certificateholder shall be deemed to agree that (i) 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 Certificateholders, and (ii) 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, Certificateholders.

If Auction Settlement is applicable in respect of any Credit Linked Certificate, then the amounts payable by and/or rights and obligations of the parties under such Credit Linked Certificate in respect of the relevant Reference Entity or Reference Obligation, will be determined in accordance with the Auction Final Price. The Certificateholder takes the risk that where the Auction Final Price is used, this may result in a lower recovery value than a Reference Entity or Reference Obligation would have if such Auction Final Price had not been used. Also, the relevant Issuer may have a conflict of interest to the extent that it participates in any auction or other process used to determine the Auction Final Price and is under no obligation to consider the interests of Certificateholders when so acting.

Please refer to the “*Definitions*” section at the end of the section headed “*Specific Terms and Conditions of Credit Securities*” for defined terms used above.

(xii) *Securities providing for the application of a component weight*

The Securities may provide for the application to the relevant Reference Items of a component weight, in order to increase or decrease the percentage of each Reference Item used to determine the amounts payable or deliverable to investors. The component weight may be lower than 100 per cent.

In such case, the amounts payable or deliverable to investors will be reduced and, therefore, will contribute to the yield of the Securities only to such reduced extent. The performance of the relevant Reference Item(s) will, therefore, impact the yield of the Securities only to a limited extent.

*(xiii) Securities providing for the application of a cap to the Reference Item(s)*

The Securities may provide for the application of a maximum return payable or deliverable to investors known as a “cap”.

In such case, the amounts payable or deliverable to investors 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 payable or deliverable in respect of the Securities.

*(xiv) Option Risk for Securities*

The Securities are derivative financial instruments which may include an option right and which, therefore, have many characteristics in common with options. Transactions in options involve a high level of risk. An investor who intends to trade in options must first of all understand the functioning of the types of contracts which he intends to trade in (for example, call options and put options). An investment in options constitutes a highly volatile investment and there is a high likelihood that the option may have no value whatsoever at expiration. In such case, the investor would lose the entire amount used to purchase the option (known as the "premium").

An investor who is considering the purchase of a call option over a Reference Item, the market price of which is much lower than the price at which the exercise of the option would be opportune (known as "deep out of the money"), must consider that the possibility that the exercise of the option will become profitable is remote. Likewise, an investor who is considering the purchase of a put option over a Reference Item, the market price of which is much higher than the price at which the exercise of the option would be opportune, must consider that the possibility that the exercise of the option will become profitable is remote.

The Securities include some options on Reference Item(s). The amount potentially paid or deliverable on exercise or any early termination will depend on the value of such options. Prior to the expiration of a Security, a variation in the value of the relevant options may involve a reduction in the value of such Security.

*(xv) Risks relating to Warrants only*

**Additional factors which are material for the purpose of assessing the market risks associated with Warrants issued under the Programme.**

*Time Lag after Exercise*

In the case of any exercise of Warrants, there will be a time lag between the time a Warrantholder gives instructions to exercise, or the time the Warrant is automatically exercised, and the time the applicable Cash Settlement Amount (in the case of Cash Settled Warrants) relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Cash Settlement Amount will be specified in the Terms and Conditions of the Securities. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum

exercise limitation (in the case of American Style Warrants), the occurrence of a market disruption event or failure to open of an exchange or related exchange (if applicable) or following the imposition of any exchange controls or other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) in the case of Currency Warrants. The applicable Cash Settlement Amount may change significantly during any such period, and such movement or movements could decrease the Cash Settlement Amount of the Warrants being exercised and may result in such Cash Settlement Amount being zero.

#### *Minimum Exercise Amount*

If so indicated in the applicable Final Terms, a Warrantholder must tender or hold a specified number of Warrants at any one time in order to exercise. Thus, Warrantholders with fewer than the specified minimum number of Warrants will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Warrants incur the risk that there may be differences between the trading price of such Warrants and the Cash Settlement Amount (in the case of Cash Settled Warrants) or the Physical Settlement Value (in the case of Physical Delivery Warrants) of such Warrants.

#### *Limitations on Exercise*

In the case of American Style Warrants, if so indicated in the applicable Final Terms, the relevant Issuer will have the option to limit the number of American Style Warrants exercisable on any date (other than the final exercise date) to the maximum number specified in the applicable Final Terms and, in conjunction with such limitation, to limit the number of American Style Warrants exercisable by any person or group of persons (whether or not acting in concert) on such date. In the event that the total number of American Style Warrants being exercised on any date (other than the final exercise date) exceeds such maximum number and the relevant Issuer elects to limit the number of American Style Warrants exercisable on such date, a Warrantholder may not be able to exercise on such date all American Style Warrants that such holder desires to exercise. In any such case, the number of American Style Warrants to be exercised on such date will be reduced until the total number of American Style Warrants exercised on such date no longer exceeds such maximum, such American Style Warrants being selected at the discretion of the relevant Issuer or in any other manner specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the American Style Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which American Style Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

#### *(xvi) Inverse Floating Rate Securities*

Inverse floating rate Securities (also known as reverse floating rate Securities) have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of those Securities typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Securities are more volatile because an increase in the reference rate not only decreases the interest rate of the Securities, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Securities.

#### *(xvii) Fixed/Floating Rate Securities*

Fixed/floating rate Securities may bear interest at a rate that the relevant 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 Securities since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Securities may be less favourable than then prevailing spreads on comparable floating rate Securities tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Securities. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Securities.

*(xviii) Application of multipliers to Floating Rate Securities*

To the extent that Rate Multiplier or Reference Rate Multiplier applies in respect of the determination of the Remuneration Rate for Securities which bear remuneration at a floating rate, investors should be aware that any fluctuation of the underlying floating rate will be amplified by such multiplier. Where the Rate Multiplier is less than 1, this may adversely affect the return on the Securities which bear remuneration at a floating rate.

*(xix) Maximum/Minimum Interest Rate*

Potential investors should also consider that where the underlying interest rate does not rise above the level of the Minimum Remuneration Rate, comparable investments in securities which pay interest based on a fixed rate which is higher than the Minimum Remuneration Rate are likely to be more attractive to potential investors than an investment in the Securities. Under those conditions, investors in the Securities might find it difficult to sell their Securities on the secondary market (if any) or might only be able to realise the Securities at a price which may be substantially lower than the nominal amount.

To the extent a Maximum Remuneration Rate applies, investors should be aware that the Remuneration Rate is capped at such Maximum Remuneration Rate level. Consequently, investors may not participate in any increase of market interest rates, which may also negatively affect the market value of the Securities.

*(xx) Securities providing for a Barrier Event*

Potential investors should also consider that where the Securities provide for the application of a Barrier Event, and if it is so specified in the Final Terms, the Securities shall be automatically exercised upon the occurrence of such Barrier Event. In such case, each Security entitles its holder to receive from the relevant Issuer on each Barrier Exercise Date indicated in the Final Terms the Barrier Cash Settlement Amount or Barrier Entitlement, as the case may be, less any Expenses not already paid.

*(xxi) Securities providing for a Remuneration Barrier Event*

In addition, potential investors should consider that where the Securities provides for the application of a Remuneration Barrier Event, upon the occurrence of such event the Securities will cease to bear remuneration. In such cases, investors will receive the Remuneration Amount on the immediately following Remuneration Payment Date and, thereafter, there will be no further Remuneration Payment Dates and no further Remuneration Amount will be payable.

*(xxii) Securities providing for a Participation Factor*

If the applicable Final Terms in respect of any Securities indicates that the Participation Factor applies, the formula used to determine any amount payable and/or non-cash consideration deliverable contains a multiplier or leverage factor and, consequently, the percentage change in the value of the Security will be greater than any positive and/or negative performance of the Reference Item(s). Any Securities which include such multiplier or leverage factor represent a very speculative and risky form of investment since any change in the performance of the Reference Item(s) carries the risk of a correspondingly higher change in the value of the Securities.

**(C) Risks Related to Securities Generally**

*(i) Option to Vary Settlement*

If the applicable Final Terms in respect of any Securities indicates that the relevant Issuer has an option to vary settlement in respect of such Securities, the relevant Issuer may, at its sole and unfettered discretion, elect (1) not to pay the relevant Securityholders the Cash Settlement Amount, but to deliver or procure delivery of the Entitlement or (2) not to deliver or procure delivery of the Entitlement, but to make payment of the Cash Settlement Amount on the Settlement Date to the relevant Securityholders.

*(ii) Modification*

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

The Terms and Conditions of the Securities also provide that the relevant Issuer and the Guarantor may, without the prior consent of the holders of the Securities correct (i) any manifest error in the Terms and Conditions of the Securities and/or in the Final Terms, (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Securities and/or in the Final Terms or (iii) any inconsistency in the Terms and Conditions of the Securities and/or in the Final Terms between the Terms and Conditions of the Securities and/or the Final Terms and any other documents prepared in connection with the issue and/or offer of a Series of Securities (provided such correction is not materially prejudicial to the holders of the relevant Series of Securities). Any such correction shall be binding on the holders of the relevant Securities and the relevant Issuer and the Guarantor (if applicable) shall cause such correction to be notified to the holders of the Securities as soon as practicable thereafter pursuant to Condition 8 (Notices) of the Securities.

*(iii) Market Disruption Event and Disrupted Day*

If an issue of Securities includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange on a Valuation Date or an Averaging Date and the Calculation Agent determines that a market disruption event or such failure has occurred or exists on a Valuation Date or an Averaging Date, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.

*(iv) Settlement Disruption Event*

In the case of Physical Delivery Securities, if a Settlement Disruption Event occurs or exists on the Settlement Date, settlement will be postponed until the next Settlement Business Day on which no

Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Settlement Disruption Amount (as defined in the Conditions) in lieu of delivering the Entitlement. Such a determination may have an adverse effect on the value of the relevant Securities.

(v) *Expenses and Taxation*

A holder of Securities must pay all Expenses relating to such Securities. As used in the Conditions, Expenses means all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising from the exercise and settlement of such Securities and/or the delivery or transfer of the Entitlement (as applicable) pursuant to the terms of such Securities as more fully set out in Condition 9 of the Terms and Conditions of the Securities.

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, exercise or enforcement of any Security by any person and all payments made by the relevant 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.

(vi) *Other taxation considerations*

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

(vii) *Illegality and Cancellation*

If the relevant Issuer determines that its performance under any Securities has, or that any arrangements made to hedge the relevant Issuer's obligations under any Securities have become (i) illegal in whole or in part for any reason, or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, impossible or impracticable, the relevant Issuer may cancel such Securities. The Issuer may also cancel the Securities upon the occurrence of certain adjustment events as set out in Condition 13 of the Terms and Conditions of the Securities (as may be amended by the applicable Final Terms). If the relevant Issuer cancels the Securities, it will (in the case of an illegality, force majeure event or act of state if permitted by applicable law), pay the holder of each such Security an amount equal to the fair market value of such Security or, in relation to Warrants and where Units are specified in the applicable Final Terms, each Unit, as set out in the Terms and Conditions of the Securities, notwithstanding such illegality, force majeure event or act of state less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Calculation Agent. The fair market value of the Securities may be less than the purchase price of the Securities and may in certain circumstances be zero.

(viii) *Change of law*

The Terms and Conditions of the Securities 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.

(ix) *Procedures of clearing systems*

Unless otherwise provided in the Final Terms, Securities issued under the Programme may be represented by one or more Global Securities and such Global Securities will be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Security, investors will not be entitled to receive definitive Securities. Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system provided in the Final Terms will maintain records of the beneficial interests in the Global Securities. While the Securities are represented by one or more Global Securities, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. While the Securities are represented by one or more Global Securities the relevant Issuer will discharge its payment obligations under the Securities by making payments to the common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system to receive payments under the relevant Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities. Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system to appoint appropriate proxies.

(x) *Potential Conflicts of Interest*

The relevant Issuer and/or any of its Affiliates may also engage in trading activities (including hedging activities) related to the asset or other basis of reference underlying any Securities and other instruments or derivative products based on or related to the asset or other basis of reference underlying any Security for their proprietary accounts or for other accounts under their management. The Issuer and/or any of its Affiliates may also issue other derivative instruments in respect of the asset or other basis of reference underlying Securities. The relevant Issuer and/or any of its Affiliates may also act as underwriter in connection with future offerings of shares or other securities related to an issue of Securities or may act as financial adviser to certain companies or companies whose shares are included in a basket of shares or in a commercial banking capacity for such companies. Such activities could present certain conflicts of interest, could influence the prices of such shares or other securities and could adversely affect the value of such Securities.

Under the Terms and Conditions of the Securities, the Calculation Agent may make certain determinations in respect of the Securities which could affect the amount payable by the relevant Issuer on the Securities. In exercising its right to make such determinations the Calculation Agent is entitled to act in its sole and absolute discretion. Where the relevant Issuer acts as Calculation Agent, potential conflicts of interest may exist between the Calculation Agent and the Securityholders, including with respect to those determinations that the Calculation Agent may make pursuant to the Securities that may influence the Cash Settlement Amount payable, or the Entitlement deliverable (as the case may be), on the Settlement Date.

Investors should note that Securities issued under the Programme may be underwritten by Dealers (including Mediobanca) which receive in consideration underwriting commissions and selling concessions. The relevant Issuer may also offer and sell Securities directly to investors without the

involvement of any Dealer. In addition, Mediobanca may act as market maker or specialist or perform other similar roles in connection with the Securities: potential conflicts of interest may exist between Mediobanca acting in such capacity on the one hand, and investors in the Securities on the other.

Investors should note too that Mediobanca itself is acting in a number of capacities in connection with the issuance of the Securities. In particular Mediobanca will act as, inter alia, the relevant Issuer, the Guarantor in respect of Mediobanca International's obligations, the Dealer, the Calculation Agent, the Arranger and Italian Paying Agent.

Even if its respective rights and obligations in relation to the issuance of the Securities are not conflicting and are independent from one another, in performing any such obligations in these different capacities, Mediobanca may be in a situation of conflict of interests. Mediobanca will only have the duties and responsibilities expressly agreed to by such entity in the relevant capacity and will not, by virtue of its or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a duty of care other than as expressly provided in respect of each such capacity.

Any further conflict of interest, including conflicts between the relevant Issuer and any Dealers or distributors will be indicated in the relevant Final Terms.

*(xi) Impossibility to know the amount of the Securities in circulation on the date of issue*

The Securities may be issued and withheld by the relevant Issuer for the progressive sale on the market in accordance with investors' demand. In this context an investor who acquires the Securities does not know in the moment of purchase how much of the issued Securities effectively are publicly traded with the consequence that the amount in circulation could be meagre and may not guarantee successively adequate liquidity in the Securities.

*(xii) Issue of subsequent tranche*

In the event the relevant Issuer decides to issue further Securities having the same terms and conditions as already existing Securities (or in all respects except for the Issue Price, the Issue Date and/or the first payment of remuneration (if any)) and so that the further Securities shall be consolidated and form a single series with the original Securities, the greater amount of Securities in circulation could lead to greater liquidity in the secondary market with a consequent negative impact on the price of the relevant Securities.

*(xiii) Physical Delivery Requirements and Settlement Risk*

In order to receive the Entitlement in respect of a Physical Delivery Security, the holder of such Security must (1) deliver or send by authenticated swift message (confirmed in writing) to Euroclear or Clearstream, Luxembourg or any other relevant clearing system (as the case may be), with a copy to the relevant Issuer and the Fiscal Agent (a) a duly completed Exercise Notice on or prior to the relevant time on the Expiration Date (in the case of a Physical Delivery Warrant) or (b) a duly completed Physical Delivery Confirmation Notice on or prior to the relevant time on the Exercise Date (in the case of a Physical Delivery Certificate) and (2) pay the relevant Exercise Price (in the case of a Warrant) and Expenses (in the case of a Warrant or a Certificate), together with any other amounts payable. Failure to do so will result (i) in the case of a Warrant where Automatic Exercise is not specified in the applicable Final Terms, the relevant Warrant's becoming void or (ii) in the case of a

Warrant where Automatic Exercise is specified in the applicable Final Terms, or in the case of a Certificate, the Securityholder receiving the Assessed Value Payment Amount instead of the Entitlement. The Assessed Value Payment Amount will be determined by the Calculation Agent by reference to the fair market value of the assets comprised in the Entitlement. See Condition 16 for Warrants and Condition 20 for Certificates of the Terms and Conditions of the Securities.

Following the exercise of Physical Delivery Warrants or in connection with the exercise of Physical Delivery Certificates, unless otherwise indicated in the applicable Final Terms, the Calculation Agent may determine that a Settlement Disruption Event or, if applicable, a Failure to Deliver due to Illiquidity is subsisting. Any such determination may affect the value of the Securities and/or may delay settlement and/or lead to cash settlement rather than physical settlement in respect of the Securities.

In relation to Physical Delivery Securities, under the Guarantee, the Guarantor has the right at all times to elect not to deliver or procure delivery of the Entitlement to the holders of Physical Delivery Securities, but in lieu thereof to pay an amount in cash equal to the Guaranteed Cash Settlement Amount specified in the applicable Final Terms. Such cash payment will constitute a complete discharge of the Guarantor's obligations in relation to such Physical Delivery Securities.

If so indicated in the applicable Final Terms, the relevant Issuer has an option to vary settlement in respect of the Securities. If exercised by the relevant Issuer, this option will lead to Physical Delivery Securities being cash settled or Cash Settled Securities being physically settled. Exercise of such option may affect the value of the Securities.

*(xiv) Hedge Unwind Costs*

To the extent applicable Final Terms specify that "Hedge Unwind Adjustment" shall apply, the amount that Securityholders may receive in certain circumstances will be adjusted upwards or downwards to reflect the pro rata Hedge Unwind Costs. The Hedge Unwind Costs are the costs of unwinding any associated hedging transactions, including but not limited to any hedging and/or funding transactions.

*(xv) EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Economic Area is required to provide to the tax authorities of another Member State of the European Economic Area details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person in favour of, a beneficial owner that is an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at the rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States of the European Economic Area, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such person in favour of, a beneficial owner that is an individual resident in a Member State of the European Economic Area. In addition, the Member States of the European Economic Area have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by

a person in a Member State of the European Economic Area to, or collected by such person in favour of, an individual resident in one of those territories.

*(xvi) U.S. Foreign Account Tax Compliance Withholding*

The Issuer, the Guarantor and other financial institutions through which payments on the Securites are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Securites characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are not yet outstanding as of the date (the "**Grandfathering Date**") that is six months after the date on which final U.S. Treasury regulations define the term "foreign passthru payment" or are materially modified from that date and (ii) any Securites characterized as equity or which do not have a fixed term for U.S. federal tax purposes pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") or similar law implementing an intergovernmental approach to FATCA.

This withholding tax may be triggered if (i) the relevant Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the relevant Issuer a "Participating FFI"), (ii) the relevant Issuer has a positive "passthru payment percentage" (as determined under FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Securites is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Securites is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Securites, neither the relevant Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securites, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Securites should consult their own tax advisers on how these rules may apply to payments they receive under the Securites.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Securites may be addressed in the relevant Final Terms or a supplement to the Base Prospectus, as applicable.

### **3) 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 that may be relevant in connection with an investment in Securities:

#### **(A) The secondary market generally**

Securities 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 Securities 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 Securities 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 Securities 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 Securities.

The Issuer has no obligation to purchase the Securities from the Securityholders. However, should the relevant Issuer decide to purchase the Securities, the secondary market pricing that the relevant Issuer may provide on the Securities may reflect the unwinding cost of the hedging portfolio (if any).

***(B) Exchange rate risks and exchange controls***

The Issuer will pay principal and interest, if any, on the Securities in the Settlement Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement Currency or revaluation of the Investor's Currency or due to the official redenomination of the Settlement Currency and/or Investor's Currency) and the risk that authorities with jurisdiction over the Settlement Currency and/or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Settlement Currency would decrease (i) the Investor's Currency-equivalent yield on the Securities (ii) the Investor's Currency equivalent value of the principal payable on the Securities and (iii) the Investor's Currency equivalent market value of the Securities. 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, principal or other amount than expected, or no interest or principal or other amount.

***(C) Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Securities. 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 Securities. 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.

***(D) Legal investment considerations may restrict certain investments***

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 (i) Securities are legal investments for it (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Each prospective investor should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

***(E) Impact of implicit fees on the Issue/Offer Price***

Investors should note that implicit fees (e.g. placement fees, direction fees, structuring fees) may be a component of the Issue/Offer Price of Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Securities in the secondary market.

The Issuer will specify in the relevant Final Terms the type and amount of any implicit fees which are applicable from time to time.

Investors should also take into consideration that if Securities are sold on the secondary market immediately following the offer period relating to such Securities, the implicit fees included in the Issue/Offer Price on initial subscription for such Securities will be deducted from the price at which such Securities may be sold in the secondary market.

***(F) Certain considerations associated with public offers of Securities***

If Securities are distributed by means of a public offer, under certain circumstances indicated in the relevant Final Terms, the relevant 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 to be null and void according to the terms indicated in the relevant Final Terms.

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

***(G) Possible Illiquidity of the Securities in the Secondary Market***

It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to, list or admit to trading Securities on a stock exchange or market. If the Securities are not listed or admitted to trading on any exchange or market, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. If the relevant Issuer does list or admit to trading an issue of Securities, there can be no assurance that at a later date, the Securities will not be delisted or that trading on such exchange or market will not be suspended. In the event of a delisting or suspension of listing or trading on a stock exchange or market, the relevant Issuer will use its reasonable efforts to list or admit to trading the Securities on another exchange or market. Also, to the extent Warrants of a particular issue are exercised, the number of Warrants of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Warrants of such issue. A decrease in the liquidity of an issue of Warrants may cause, in turn, an increase in the volatility associated with the price of such issue of Warrants.

The Issuer, or any of its Affiliates may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation. The Issuer or any of its Affiliates may, but is not obliged to, be a market-maker for an issue of Securities. Even if the relevant Issuer or such other entity is a market-maker for an issue of Securities, the secondary market for such Securities may be limited. To the extent that an issue of Securities becomes illiquid, an investor may have to exercise such Securities (in the case of American Style Warrants) or wait until the Exercise Date (in the case of European Style Warrants and Certificates) to realise value.

Investors should note that if an entity is appointed as market-maker or liquidity provider with respect to the Securities in the secondary market, this may, in certain circumstances, affect the price of the Securities in the secondary market.

In addition, all or part of the Securities issued under this Programme may be subscribed upon issuance by the relevant Issuer itself or by its Affiliate(s) for resales thereafter on the basis of investors' demand. Accordingly, investors subscribing for Securities upon their issuance should be aware that there may not be a viable secondary market for the relevant Securities immediately. Even if a market does develop subsequently, it may not be very liquid.

**(H) *Listing of Securities***

In respect of Securities which are (in accordance with the applicable Final Terms) to be listed on a stock exchange, market or quotation system, the relevant Issuer shall use all reasonable endeavours to maintain such listing, provided that if it becomes impracticable or unduly burdensome or unduly onerous to maintain such listing, then the relevant Issuer may apply to de-list the relevant Securities, although in this case it will use all reasonable endeavours to obtain and maintain (as soon as reasonably practicable after the relevant de-listing) an alternative admission to listing, trading and/or quotation by a stock exchange, market or quotation system within or outside the European Union, as it may decide.

If such an alternative admission is not available or is, in the opinion of the relevant Issuer, impracticable or unduly burdensome, an alternative admission will not be obtained.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- the audited consolidated annual financial statements as at and for the years ended 30 June 2013 and 2012 of Mediobanca;
- the audited non-consolidated annual financial statements as at and for the years ended 30 June 2013 and 2012 of Mediobanca International;
- The interim report for the six months ended 31 December 2013 of Mediobanca;
- The interim report for the six months ended 31 December 2013 of Mediobanca International;
- the English translation of the Mediobanca Registration Document (published in the Italian language on 18 October 2013 and approved by CONSOB on 18 October 2013, report No. 82710/13);
- the Terms and Conditions of the Securities (pages 122 – 201) set out in the Base Prospectus dated 12 March 2013 relating to the Euro 40,000,000,000 Issuance Programme of Mediobanca and Mediobanca International; and
- the Terms and Conditions of the Securities (pages 215 – 268) set out in the Base Prospectus dated 30 November 2011 relating to the Euro 40,000,000,000 Issuance Programme of Mediobanca and Mediobanca International,

in the case of the above-mentioned financial statements, together with the accompanying notes and (where applicable) auditor's reports, save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

The Issuers will provide, without charge to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy (by electronic means, unless such person requests hard copy) of any or all the documents deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided. Request for such documents should be directed to the Issuers at their offices set out at the end of this Base Prospectus. In addition, such documents will be available, without charge, at the principal office of the Paying Agent in Luxembourg and on the Irish Stock Exchange's website ([www.ise.ie](http://www.ise.ie)), on the Mediobanca's website (at the following links: <http://raccoltaproprietaria.mediobanca.it/it/documenti/index.html>, <http://raccoltaproprietaria.mediobanca.it/static/upload/med/mediobanca-registration-document-2013--english-version-.pdf> and <http://www.mediobanca.it/en/investor-relations/bilanci/financial-reports.html>) and on the Mediobanca International's website (at the following links: <http://www.mediobanca.it/en/about-us/locations/luxembourg.html> and <http://www.mediobanca.it/static/upload/201/20131231---interim-report-mbil.pdf>).

The following table shows where some of the information required under Annex XI of Commission Regulation (EC) No. 809/2004, as amended, can be found in the above mentioned documents incorporated by reference. Any information contained in the documents incorporated by reference but not set out below is given for information purposes only.

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant annexes of Regulation (EC) No. 809/2004, as amended.

***Cross-reference list in respect of the Mediobanca Registration Document***

III	Risk factors	Pages 6 to 9
VII	Future trends	Page 26
VIII	Forecasts or estimates of profits	Page 27

***Cross-reference list in respect of the Mediobanca and Mediobanca International financial statements***

**Mediobanca - Consolidated annual financial statements  
Commission Regulation (EC) No. 809/2004, Annex XI,  
Paragraph 11.1**

	2013	2012
<b>Balance sheet</b>	<b>Pages 80-81</b>	<b>Pages 66 – 67</b>
<b>Statement of income</b>	<b>Pages 82 - 83</b>	<b>Pages 68 – 69</b>
<b>Statement of changes in equity</b>	<b>Page 84-85</b>	<b>Pages 70 – 71</b>
<b>Cashflow statement</b>	<b>Pages 86 - 87</b>	<b>Pages 72 – 73</b>
<b>Accounting policies and explanatory notes</b>	<b>Pages 92 – 242</b>	<b>Pages 74 - 235</b>
<b>Auditors' reports</b>	<b>Page 64-65</b>	<b>Page 63</b>

**Mediobanca International - Non-Consolidated annual  
financial statements Commission Regulation (EC) No.  
809/2004, Annex XI, Paragraph 11.1**

	2013	2012
<b>Statement of financial position</b>	<b>Page 22</b>	<b>Page 21</b>
<b>Statement of comprehensive income</b>	<b>Page 23</b>	<b>Page 22</b>
<b>Cashflow statement</b>	<b>Page 26</b>	<b>Page 25</b>
<b>Statement of changes in equity</b>	<b>Pages 24 - 25</b>	<b>Pages 23 – 24</b>
<b>Accounting policies and explanatory notes</b>	<b>Pages 30 - 147</b>	<b>Pages 27 – 147</b>
<b>Auditors' reports</b>	<b>Pages –19-20</b>	<b>Pages 18 - 19</b>

**Mediobanca - Consolidated interim report for the six months  
ended 31 December 2013  
Balance sheet**

**Page 50**

<b>Statement of income</b>	<b>Page 52</b>
<b>Statement of changes in equity</b>	<b>Page 54</b>
<b>Cashflow statement</b>	<b>Page 56</b>
<b>Accounting policies and explanatory notes</b>	<b>Page 62</b>
<b>Auditors' reports</b>	<b>Page 189</b>

**Mediobanca International - Non-Consolidated interim report  
for the six months ended 31 December 2013**

<b>Statement of financial position</b>	<b>Page 22</b>
<b>Statement of comprehensive income</b>	<b>Page 23</b>
<b>Cashflow statement</b>	<b>Page 24</b>
<b>Statement of changes in equity</b>	<b>Page 26</b>
<b>Accounting policies and explanatory notes</b>	<b>Page 28</b>
<b>Auditors' reports</b>	<b>Page 17</b>

## SUPPLEMENTS AND FURTHER PROSPECTUSES

The Issuers will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuer at least every year after the date of this Base Prospectus and each subsequent Base Prospectus.

The Issuers have given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Securities, they shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Securities and shall supply to each Dealer a number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuers and the Guarantor may agree with any Dealer to issue Securities in a form not contemplated in the sections of this Base Prospectus entitled “Form of Final Terms”. To the extent that the information relating to that Tranche of Securities constitutes a significant new factor in relation to the information contained in this Base Prospectus, a separate prospectus specific to such Tranche (a “**Drawdown Prospectus**”) will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the relevant Issuer and (if applicable) the Guarantor and the relevant Securities or (2) pursuant to Article 5.3 of the Prospectus Directive, by a registration document containing the necessary information relating to the relevant Issuer and (if applicable) the Guarantor, a securities note containing the necessary information relating to the relevant Securities and, if necessary, a summary note. In the case of a Tranche of Securities which is the subject of a Drawdown Prospectus, references in this Base Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

## FORMS OF THE SECURITIES

### *Form*

Each Series of Securities will on issue be constituted by either (a) in the case of Securities with a maturity of more than one year, a temporary global security in bearer form (the “**Temporary Global Security**”) or (b) in the case of Securities with a maturity of one year or less, a permanent global security in bearer form (the “**Permanent Global Security**” and together with the Temporary Global Security, the “**Global Securities**” and each a “**Global Security**”) as indicated in the applicable Final Terms which, in either case, will be deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and/or deposited directly with Monte Titoli S.p.A. and/or any other centralised custodian appointed by the Issuers (a “**Centralised Custodian**”).

The relevant Final Terms will specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Securities or, if the Securities do not have a term of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

On or after the 40th day following the Issue Date of the Securities (the “**Exchange Date**”) the Temporary Global Security will be exchangeable (a) for a Permanent Global Security or (b) for Securities in definitive form (“**Definitive Securities**”, and the expressions “**Definitive Warrants**” and “**Definitive Certificates**” shall be construed accordingly), as indicated in the applicable Final Terms and in each case only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Security are not United States persons or persons who have purchased for resale to any United States 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 certification received) to the Fiscal Agent.

A Permanent Global Security will be exchangeable (free of charge), in whole but not in part, for Definitive Securities only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that:

- (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or
- (ii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Securities represented by the Permanent Global Security in definitive form.

The Issuer will promptly give notice to Securityholders in accordance with Condition 8 of the Terms and Conditions of the Securities if an Exchange Event occurs. No Definitive Security delivered in exchange for a Temporary Global Security or a Permanent Global Security, as the case may be, will be mailed or otherwise delivered to any location in the United States or its possessions.

### *Terms and Conditions applicable to the Securities*

The applicable Final Terms for the Securities will be attached to or incorporated by reference into the Global Security and completes the Terms and Conditions of the Securities.

*Legend concerning United States persons*

The following legend will appear on all Securities with a maturity of more than 365 days:

"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."

*Book-entry form*

If the relevant Final Terms specifies the form of the Securities as being "Book-entry form", then the Securities will not be represented by paper certificates and the transfer and exchange of Securities will take place exclusively through an electronic book-entry system managed by Monte Titoli S.p.A. or any other Centralised Custodian appointed by the Issuers. Accordingly, all Securities shall be deposited by their owners with an intermediary participant in the relevant Centralised Custodian. The intermediary will in turn deposit the Securities with the Centralised Custodian.

To transfer an interest in the Securities, the transferor and the transferee are required to give instructions to their respective intermediaries. If the transferee is a client of the transferor's intermediary, the intermediary will simply transfer the Securities from the Transferor's account to the account of the transferee. If, however, the transferee is a client of another intermediary, the transferor's intermediary will instruct the centralised clearing system to transfer the Securities to the account of the transferee's intermediary, which will then register the Securities on the transferee's account.

Each intermediary maintains a custody account for each of its clients. This account sets out the financial instruments of each client and the records of all transfers, interest payments, charges or other encumbrances on such instruments. The account holder or any other eligible party may submit a request to the intermediary for the issue of a certified account statement.

In such circumstances, it will not be possible for a Securityholder to obtain physical delivery of Securities certificates representing the Securities.

## GENERAL DESCRIPTION OF THE ISSUANCE PROGRAMME

*The following is 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. The following overview does not purport to be complete and is qualified by the remainder of this Document and, in relation to the terms and conditions of any particular Series (as defined below in "Terms and Conditions") of Securities, the applicable Final Terms. Subject as provided in the Terms and Conditions, any of the following (including, without limitation, the type of Securities which may be issued pursuant to the Programme) may be varied or supplemented as agreed between the relevant Issuer, the relevant Dealer(s) and the Fiscal Agent (if applicable). Words and expressions defined in "Form of the Securities" and "Terms and Conditions" shall have the same meaning in this overview:*

Issuers: Mediobanca – Banca di Credito Finanziario S.p.A. and Mediobanca International (Luxembourg) S.A.

Mediobanca - Banca di Credito Finanziario S.p.A.: Mediobanca was established in 1946 as a medium-term credit granting institution in Italy. In 1956 Mediobanca's shares were admitted to the Italian Stock Exchange and since then its business has expanded both nationally and internationally.

Mediobanca is registered at the Companies' Registry of the Chamber of Commerce of Milan, Italy under registration number 00714490158. Mediobanca's registered office is at Piazzetta E. Cuccia 1, Milan, Italy, telephone number (+39) 0288291.

Mediobanca holds a banking licence from the Bank of Italy authorising it to carry on all permitted types of banking activities in Italy.

Mediobanca is a bank organised and existing under the laws of Italy, carrying out a wide range of banking, financial and related activities throughout Italy.

At the date hereof, Mediobanca's issued share capital totals Euro 430,564,606.00, represented by 861,129,212 registered shares of nominal value Euro 0.50.

The Board of Directors of Mediobanca is responsible for the ordinary and extraordinary management of Mediobanca.

Mediobanca International (Luxembourg) S.A.: Mediobanca International has the form of a *société anonyme* subject to Luxembourg law and has its place of registration in Luxembourg. On 15 December 2005 the Luxembourg Minister of the Treasury and the Budget, on the recommendation of the CSSF, granted Mediobanca International a full banking licence pursuant to which its operations include raising funds in the international markets and lending, consistent with Mediobanca International's articles of association approved by the

shareholders in the general meeting held on 21 December 2005.

Mediobanca International is registered at the Luxembourg trade and companies registry under registration number B 112885. Mediobanca International's registered office is at 4 Boulevard Joseph II, L-1840 Luxembourg, Luxembourg.

At the date hereof, Mediobanca International's issued and authorised share capital totals Euro 10,000,000 represented by 1,000,000 registered shares of Euro 10 par value.

The Board of Directors of Mediobanca International is responsible for setting authorisation levels, defining organisational structure, defining the system of internal control and reviewing it on a regular basis, and approving the bank's accounts and interim statements. Day-to-day management is entrusted to two managing directors.

Guarantor: Mediobanca - Banca di Credito Finanziario S.p.A. (with respect to Securities issued by Mediobanca International (Luxembourg) S.A.

Description: Issuance Programme.

Arranger: Mediobanca Banca di Credito Finanziario S.p.A.

Dealer: MEDIOBANCA - Banca di Credito Finanziario S.p.A.

Each of the Issuers may from time to time appoint additional dealers under the Programme or terminate their appointment either in respect of a single Tranche or in respect of the whole Programme.

Fiscal Agent: BNP Paribas Securities Services, Luxembourg Branch. will act as Fiscal Agent in respect of the Securities except for Securities in dematerialised form deposited directly with Monte Titoli S.p.A. (“**Monte Titoli**”).

Italian Paying Agent: Mediobanca – Banca di Credito Finanziario S.p.A. will act as Italian Paying Agent with respect to Securities in dematerialised form which are deposited directly with Monte Titoli (which role will include the role of Fiscal Agent with respect to such Securities).

Currencies: Subject to compliance with all relevant laws, regulations and directives, Securities may be issued in any currency or currencies as the relevant Issuer, the Guarantor (where applicable), and the relevant Dealer so agree.

Method of Issue: The Securities may be issued on a syndicated or non-syndicated basis. The Securities will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Securities may be issued in Tranches on a continuous basis with no minimum issue size, subject to compliance with all applicable laws, regulations and directives. Further Securities may be issued as part of an existing Series.

Final Terms or Drawdown Prospectus: Securities issued under the Programme may be issued either (i) pursuant to this Base Prospectus and the relevant Final Terms or (ii) pursuant to a Drawdown Prospectus. The Terms and Conditions applicable to any particular Tranche of Securities are the Terms and Conditions of the Securities as completed by the relevant Final Terms or, as the case may be, the relevant Drawdown Prospectus.

References in this General Description of the Issuance Programme to the “Final Terms” shall, where applicable, be read as references to the Drawdown Prospectus relating to the Securities, as the case may be.

Form of Securities: Unless otherwise provided in the Final Terms, each issue of Securities will on issue date be represented either by a Temporary Global Security or a Permanent Global Security as indicated in the applicable Final Terms. The Temporary Global Security will be exchangeable either, in accordance with its terms, for a Permanent Global Security or for Definitive Securities. The Permanent Global Security will be exchangeable in limited circumstances for Definitive Securities. Each Temporary Global Security and each Permanent Global Security will be held by a common depository on behalf of Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system and/or deposited directly with Monte Titoli S.p.A. and/or any other Centralised Custodian appointed by the Issuers.

If the Securities are issued and held in book-entry form, the Securities will not be represented by paper certificates and the transfer and exchange of Securities will take place exclusively through an electronic book-entry system managed by Monte Titoli S.p.A. or any other Centralised Custodian appointed by the Issuers. Accordingly, all Securities of the same tranche shall be deposited by their owners with an intermediary participant in the relevant Centralised Custodian. The intermediary will in turn deposit the Securities with the

Centralised Custodian.

In such circumstances, it will not be possible for a Securityholder to obtain physical delivery of Securities certificates representing the Securities.

Type of Securities:

The Issuer may issue Index Securities, Share Securities, Currency Securities, Debt Securities, Commodity Securities, Fund Securities and Credit Securities.

Certificates may bear remuneration, if so specified in the applicable Final Terms.

Warrants may be European Style Warrants or American Style Warrants.

Securities that bear remuneration:

In respect of Securities which bear remuneration at a fixed rate, such remuneration will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

The yield in respect of the Securities which bear remuneration at a fixed rate is calculated in accordance with the ICMA Method. The ICMA Method determines the effective interest rate for the securities taking into account accrued interest on a daily basis.

In respect of Securities which bear remuneration at a floating rate, such remuneration will be set separately for each Series by reference to the benchmark as may be specified in the relevant Final Terms as adjusted for any applicable margin.

Remuneration Periods will be specified in the relevant Final Terms. The length of the Remuneration Periods for the Securities and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series.

Settlement of the Securities:

Settlement will be by way of cash payment (“**Cash Settled**”) or physical delivery (“**Physical Delivery**”).

The Guarantee provides that, in the case of Physical Delivery Securities, the Guarantor will have the right to elect not to make physical delivery of the Entitlement, but rather to pay the Guaranteed Cash Settlement Amount as specified in the applicable Final Terms.

Index Securities:

The Cash Settlement Amount in respect of Index Securities will be calculated by reference to a single index (including rate of inflation) or basket of indices.

Share Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Share Securities will be calculated by reference to a single share or basket of shares.</p> <p>The Entitlement in respect of Physical Delivery Share Securities will be a specified amount of shares of one or more companies, as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Currency Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Currency Securities will be calculated by reference to a single currency or basket of currencies.</p> <p>The Entitlement in respect of Physical Delivery Currency Securities will be a specified amount of the relevant currency or currencies as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Debt Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Debt Securities will be calculated by reference to a single debt instrument or basket of debt instruments.</p> <p>The Entitlement in respect of Physical Delivery Debt Securities will be a specified amount of debt instruments of one or more issuers, as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Commodity Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Commodity Securities will be calculated by reference to a single commodity or basket of commodities.</p> <p>The Entitlement in respect of Physical Delivery Commodity Securities will be a specified amount of commodities, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Fund Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Fund Securities will be calculated by reference to units or shares (however described) in a single fund or basket of funds.</p> <p>The Entitlement in respect of Physical Delivery Fund Securities will be a specified amount of fund shares or units (however described), subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>

Credit Securities:

Payments of cash settlement amount and/or remuneration (if any) in respect of Credit Linked Certificates, which may be issued by any Issuer, will depend on whether or not a specified “Credit Event” occurs in respect of one or more specified “Reference Entities” and/or the obligations of any of such Reference Entities. Following the occurrence of a Credit Event, Credit Linked Certificates may either be cash settled or physically settled by delivery of bonds or other qualifying obligations of the defaulted Reference Entity, as indicated in the relevant Final Terms.

Drawdowns of this product include: Single Name Credit Linked Certificates (where Certificateholders take the credit risk of a single named Reference Entity), Linear Basket Credit Linked Certificates (where Certificateholders take the credit risk in respect of two or more Reference Entities in a basket of Reference Entities and where the Certificates will be exercised in part if the Conditions to Settlement are satisfied in respect of each Reference Entity in the basket), First-to-Default Credit Linked Certificates (where Certificateholders take the credit risk of the first to default among a basket of Reference Entities) and Nth-to-Default Credit Linked Certificates (where Certificateholders take the credit risk of the Nth to default among a basket of Reference Entities). See the section headed “*Specific Terms and Conditions of Credit Securities*” of this Base Prospectus for the terms and conditions applicable to Credit Linked Certificates issued under the Programme.

Exercise of Certificates:

Each Certificate shall be automatically exercised on the Exercise Date. In the case of Italian Listed Certificates, automatic exercise can be waived by serving a Renouncement Notice, which shall be substantially in the form set out in the Issue and Paying Agency Agreement, copies of which may be obtained from the specified office of the Fiscal Agent and the Paying Agent.

Exercise of Warrants:

European Style Warrants are only exercisable on the Exercise Date or, if such day is not an Exercise Business Day, the immediately succeeding Exercise Business Day (the “**Actual Exercise Date**” and the “**Expiration Date**”).

American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period.

If Automatic Exercise is not specified in the applicable Final Terms, any Warrant which has not been duly exercised by the relevant Securityholder, at or prior to 10.00 a.m., Brussels or

Luxembourg time, as the case may be, on the Expiration Date shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any Warrant which has not been duly exercised by the relevant Securityholder, at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is, in the determination of the Calculation Agent, "In-The-Money" shall be automatically exercised on the Expiration Date. In the case of Italian Listed Warrants, automatic exercise can be waived by serving a Renouncement Notice, which shall be substantially in the form set out in the Issue and Paying Agency Agreement, copies of which may be obtained from the office of the Fiscal Agent and the Paying Agent.

Physical Delivery Securities and  
Assessed Value Payment Amount:

In the case of Physical Delivery Securities, in order to receive the relevant Entitlement the relevant Securityholder must deliver to the Fiscal Agent an Exercise Notice (in the case of Warrants) or a Physical Delivery Confirmation Notice (in the case of Certificates) prior to 10.00 a.m. Brussels or Luxembourg time, as the case may be, on the Expiration Date (in the case of Warrants) or the Exercise Date (in the case of Certificates) and pay any Expenses and any other amounts payable and, in the case of Warrants, the relevant Exercise Price. If a Securityholder does not deliver an Exercise Notice or a Physical Delivery Confirmation Notice, as applicable, prior to 10.00 a.m. Brussels or Luxembourg time, as the case may be, on the Expiration Date or the Exercise Date, as applicable, no delivery of the Entitlement will be made and in lieu thereof the relevant Issuer shall determine and pay the Assessed Value Payment Amount.

Status of the Securities:

Securities constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and rank par passu among themselves and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations other than subordinated obligations, if any of the relevant Issuer from time to time outstanding.

Guarantee:

Under the Deed of Guarantee, and in accordance with the terms and subject to the limitations thereof, Mediobanca unconditionally and irrevocably guarantees payment of all amounts due and the performance of any non-cash delivery obligations in respect of Securities issued by Mediobanca International. Pursuant to the Guarantee, the Guarantor has the right to elect not to deliver or procure the delivery of any

entitlement to holders of Securities, but in lieu thereof to pay a cash amount. See also Condition 2(b) (*Status of the Guarantee*) of the Terms and Conditions of the Securities.

Status of the Guarantee:

The payment obligations of the Guarantor under the Deed of Guarantee constitute – in accordance with the terms and subject to the limitations thereof – direct, unconditional, unsubordinated and unsecured obligations of the Guarantor which will rank at all times at least *pari passu* without any preference among themselves and equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for certain mandatory exceptions of applicable law. See also Condition 2(b) (*Status of the Guarantee*) of the Terms and Conditions of the Securities. In particular, pursuant to the Deed of Guarantee, to the extent the Guarantor is incorporated in the Republic of Italy and to the extent under the applicable law in force at the relevant time a cap to the maximum amount to be guaranteed is required, the Guarantor shall only be liable up to an amount which is the aggregate of 110 per cent. of the aggregate principal amount of any Tranche of the Securities (in each case as specified in the applicable Final Terms) and 110 per cent. of the interest on such Securities accrued but not paid as at any date on which the Guarantor's liability falls to be determined. In addition, pursuant to the Deed of Guarantee, the Guarantor has also undertaken to issue an additional guarantee in an amount equal to any liability exceeding the maximum amount mentioned above in relation to any Tranche.

Taxation in respect of Securities:

All payments in respect of Securities shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted and no additional amount shall be payable to any relevant Securityholder in respect of any such tax, duty, withholding or other payment.

Rating:

The rating of the Securities, if any, 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 a Series of Securities will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011) (the “**CRA Regulation**”) will be disclosed in the applicable Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency

established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7th June, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

**Governing Law:**

If it is specified in the Final Terms that English law is applicable to the Securities, the Securities and all related contractual documentation and any contractual or non-contractual obligations arising from or connected with the Securities (or such related contractual documentation) will be governed by, and construed in accordance with, English law. If it is specified in the Final Terms that Italian law is applicable to the Securities, the Securities will be governed by, and shall be construed in accordance with, Italian law.

**Listing and Admission to Trading:**

The Central Bank of Ireland has approved this document as a base prospectus. Application has also been made for Securities issued under the Programme to be admitted to trading on the regulated market of the Irish Stock Exchange and to be listed on the Official List of the Irish Stock Exchange.

Securities may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer in relation to the relevant Series. Securities which are neither listed nor admitted to trading on any market may also be issued.

The Central Bank of Ireland may, at the request of either Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Base Prospectus; (ii) an Attestation Certificate in accordance with Article 18(i) of the Prospectus Directive; and (iii) if so required by such competent authority, a translation of this Summary.

Notice of the aggregate nominal amount of or Securities (if applicable), the remuneration (if any) payable in respect of Securities, the issue price of Securities and any other terms and conditions not contained herein which are applicable to each Tranche of Securities will be set out in the relevant Final Terms which, with respect to Securities to be listed on the Official List of the Irish Stock Exchange, will be delivered to the Irish Stock Exchange.

The applicable Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading

and, if so, on which stock exchanges and/or markets.

Selling Restrictions:

See “Plan of Distribution”.

## **GENERAL DESCRIPTION OF THE UNDERLYING**

The Securities may relate to the following Reference Items:

- a single index (including relating to the rate of inflation and including the proprietary indices described in the section “Description of Proprietary Indices” below) or a basket of indices;
- a single share or a basket of shares;
- a single currency or a basket of currencies;
- a single debt instrument or a basket of debt instruments;
- a single commodity or a basket of commodities;
- a single reference entity or more reference entities;
- units or shares (however described) in a single fund or a basket of funds.

The applicable Final Terms will specify the relevant Reference Item(s) and state where information on the relevant Underlying, in particular on its past and future performance and on its volatility, can be found and whether or not the relevant Issuer intends to provide further information on the relevant Reference Item(s).

## DESCRIPTION OF PROPRIETARY INDICES

### A) THE ETF MANAGER DYNAMIC BOND INDEX

#### *General*

The ETF Manager Dynamic Bond Index (the “**Dynamic Index**”) was established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**ETF Dynamic Index Sponsor**”) on 12 August 2011 (the “**Dynamic Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the ETF Manager Dynamic Bond Index (the “**Index Calculation Agent**”) is responsible for the operation of the Dynamic Index and accordingly will announce the level of the Dynamic Index (the “**Dynamic Index Level**”) and the composition of the Dynamic Index every Exchange Business Day at the close of business, except on any Dynamic Rebalance Day when the announcement will be made at or before 14:00 CET.

#### *Composition*

The Dynamic Index replicates a dynamic investment in a basket of Component Dynamic ETFs (the “**ETF Dynamic Basket**”). The investment theme of the Dynamic Index is investment in iShares ETFs tracking the performance of government bonds and corporate bonds, including high yield assets. The current Component Dynamic ETFs and their current Dynamic Weights (as defined below) within the ETF Dynamic Basket are specified below.

The weights (the “**Dynamic Weights**”) of each Component Dynamic ETF within the ETF Dynamic Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “Weights Determination Methodology”.

If a Dynamic Index Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the ETF Dynamic Basket composition by (a) adding a Component Dynamic ETF to the Component Dynamic ETFs which are then part of the ETF Dynamic Basket; or (b) removing a Component Dynamic ETF from the ETF Dynamic Basket; or (c) substituting the relevant Component Dynamic ETF with a Substitute Dynamic Component ETF. A Substitute Dynamic Component ETF is an ETF selected by the Dynamic Index Calculation Agent in its sole discretion which meets the Dynamic Index Eligibility Criteria.

The “**Dynamic Index Eligibility Criteria**” are the criteria determined by the Index Calculation Agent quarterly on each Dynamic Index Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;
- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the Dynamic Index;
- (iii) the relevant ETF’s liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant Rebalance Date; and

- (iv) the relevant ETF's AUM (as defined below) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant Dynamic Index Rebalance Date.

The Dynamic Index Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each Dynamic Index Rebalance Date.

#### *Weights Determination Methodology*

The Dynamic Weight for each Component Dynamic ETF in respect of each Dynamic Index Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every Dynamic Index Rebalance Date, the set of Dynamic Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the ETF Dynamic Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component Dynamic ETF.

On each Dynamic Index Rebalance Date  $t^*$ , the Dynamic Weights of the Component Dynamic ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_t^i \times \mu_t^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_t^i \times W_t^j \times \sigma_t^i \times \sigma_t^j \times \rho_t^{ij} - \sum_{i=1}^N |W_t^i - \widehat{W}_t^i| \times \tau_t^i \right\}$$

subject to

- (a) the following lower and upper bounds:

$$0\% \leq W_t^i \leq 30\% \quad \text{for every } i; \text{ and}$$

- (b) a full investment constraint:

$$\sum_{i=1}^N W_t^i = 100\%;$$

where:

$W_t^i$  is the optimised weight to be applied to the i-th Component Dynamic ETF in the Dynamic Index Rebalancing Period following the Dynamic Index Rebalance Date  $t^*$ ;

$\widehat{W}_t^i$  is the the optimised weight applied to the i-th Component Dynamic ETF in the Dynamic Index Rebalancing Period preceding the Dynamic Index Rebalance Date  $t^*$ ;

$\mu_t^i$  is the expected return calculated for the i-th Component Dynamic ETF averaging the historical simple daily returns on a window size of 1 year preceding the Dynamic Index Rebalance Date  $t^*$ ;

$\sigma_t^i$  is the volatility (standard deviation) calculated for the i-th Component Dynamic ETF averaging the historical simple daily returns on a window size of 1 year preceding the Dynamic Index Rebalance Date  $t^*$ ;

$\rho_{t^*}^{i,j}$  is the correlation between the i-th and the j-th Component Dynamic ETFs, with  $i \neq j$ , averaging the historical simple daily returns on a window size of 1 year preceding the Dynamic Index Rebalance Date  $t^*$ ;

$\tau_{t^*}^i$  is the transaction cost applied to the i-th Component Dynamic ETF on the Dynamic Index Rebalance Date  $t^*$ ;

$N$  is the number of Component Dynamic ETFs in the ETF Dynamic Basket.

“**Dynamic Index Rebalancing Period**” is the period from, and including, a Dynamic Index Rebalance Date to, but excluding, the next following Dynamic Index Rebalance Date.

The new weights of each Component Dynamic ETF within the ETF Dynamic Basket will be published by the Index Calculation Agent on the Exchange Business Day following each Dynamic Index Rebalance Date.

#### *Dynamic Index Level*

The level of the Dynamic Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

$t^*$  means the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, 12 August 2011 was the first Dynamic Index Rebalance Date

$W_{t^*}^i$  means the weight of Component Dynamic ETFi as determined on the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”

$S_t^i$  means the official closing price of Component Dynamic ETFi at the close of business on Exchange Business Day “t”

$S_{t^*}^i$  means the Dynamic Index Market Quotation of Component ETFi on  $t^*$  as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt is the first Dynamic Index Rebalance Date

$d_t^i$  means the sum of the cash flows paid by the Component Dynamic ETFi between the Dynamic Index Rebalance Date  $t^*$  and the Exchange Business Day  $t$

**MgtFee** means the annual management fee of 0.75 per cent per annum

On the Dynamic Index Rebalance Date  $t^*$ , the Dynamic Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the Dynamic Index Rebalance Date immediately preceding Dynamic Index Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Dynamic ETF<sub>i</sub> in the ETF Dynamic Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Dynamic ETF<sub>i</sub> during the Dynamic Index Rebalancing Period between  $s^*$  and  $t^*$

The Dynamic Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of any Securities in respect of which the Dynamic Index is the Reference Item are quoted Ex Remuneration Amount) will be each Rebalance Date.

As used in this section, the following terms have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component Dynamic ETF.

“**Component Dynamic ETF**” means an ETF which comprises part of the Dynamic Index from time to time, with the current Component Dynamic ETFs and their respective weightings being those specified in the section headed “Component Dynamic ETFs” below.

“**Dynamic Index Level**” or “**Index<sub>t</sub>**” means, with respect to an Exchange Business Day “t”, the level of the Dynamic Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

$t^*$  means the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first Dynamic Index Rebalance Date

$W_t^i$  means the weight of Component Dynamic ETF<sub>i</sub> as determined on the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”

$S_t^i$  means the official closing price of Component Dynamic ETF<sub>i</sub> at the close of business on Exchange Business Day “t”

$S_{t^*}^i$  means the Dynamic Index Market Quotation of Component Dynamic ETF<sub>i</sub> on  $t^*$  as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first Dynamic Index Rebalance Date

$d_t^i$  means the sum of the cash flows paid by the Component Dynamic ETF<sub>i</sub> between the Dynamic Dynamic Index Rebalance Date  $t^*$  and the Exchange Business Day  $t$

**MgtFee** means the annual management fee of 0.75 per cent per annum

On the Dynamic Index Rebalance Date  $t^*$ , the Dynamic Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the Dynamic Index Rebalance Date immediately preceding Dynamic Index Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Dynamic ETF<sub>i</sub> in the ETF Dynamic Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Dynamic ETF<sub>i</sub> during the Dynamic Index Rebalancing Period between  $s^*$  and  $t^*$

“**Dynamic Index Market Quotation**” means the price, as determined by the Index Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component Dynamic ETF<sub>i</sub> by Dynamic Index Reference Market-makers between 12:00 CET and 12:30 CET.

“**Dynamic Index Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market

participants in general to effect transactions in, or obtain market values for any Component Dynamic ETF.

“**Dynamic Index Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**Dynamic Index Rebalancing Period**” is the period from, and including, a Dynamic Index Rebalance Date to, but excluding, the next following Dynamic Index Rebalance Date.

“**Dynamic Index Reference Market-maker**” means an official specialist and/or liquidity provider for each Component Dynamic ETF.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component Dynamic ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**Substitute Component Dynamic ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the Dynamic Index Eligibility Criteria.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component Dynamic ETF on the Exchange in respect of such Component Dynamic ETF.

*Component Dynamic ETFs*

The Component Dynamic ETFs and their respective weightings which comprise the Dynamic Index as at the date of this Base Prospectus are:

<b>Component Ticker</b>	<b>ETF</b>	<b>Component ISIN</b>	<b>ETF</b>	<b>Component Description</b>	<b>ETF</b>	<b>Weight</b>
IEAC IM		IE00B3F81R35		iShares Barclays Euro Corporate Bond		30%
IBGL IM		IE00B1FZS913		iShares Barclays Capital Euro Government Bond 15-30		30%
IBGM IM		IE00B1FZS806		iShares Barclays Capital Euro Government Bond 7-10		30%

SE15 IM	IE00B4L60045	iShares Barclays Capital Euro Corporate Bond 1-5	10%
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## B) THE ETF MANAGER EUROPEAN EQUITY INDEX

### *General*

The ETF Manager European Equity Index (the “**European Equity Index**”) has been established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**European Equity Index Sponsor**”) on 12 August 2011 (the “**European Equity Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the European Equity Index (the “**Index Calculation Agent**”) is responsible for the operation of the European Equity Index and accordingly will announce the European Equity Index Level and the composition of the European Equity Index every Exchange Business Day at the close of business, except on any European Equity Rebalance Day when the announcement will be made at or before 14:00 CET.

### *Composition*

The European Equity Index replicates a dynamic investment in a basket of Component European Equity ETFs (the “**European Equity Basket**”). The investment theme of the European Equity Index is investment in iShares ETFs tracking the performance of the main European equity indices, including sector indices and thematic indices. The current Component European Equity ETFs are specified and their current European Equity Weights (as defined below) within the European Equity Basket are specified below.

The weights (the “**European Equity Weights**”) of each Component European Equity ETF within the European Equity Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “*Weights Determination Methodology*”.

If a European Equity Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the European Equity Basket composition by (a) adding a Component European Equity ETF to the Component European Equity ETFs which are then part of the European Equity Basket; or (b) removing a Component European Equity ETF from the European Equity Basket; or (c) substituting the relevant Component European Equity ETF with a Substitute Component European Equity ETF. A Substitute Component European Equity ETF is an ETF selected by the Index Calculation Agent in its sole discretion which meets the European Equity Eligibility Criteria.

The “**European Equity Eligibility Criteria**” are the criteria determined by the Index Calculation Agent quarterly on each European Equity Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;

- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the European Equity Index];
- (iii) the relevant ETF's liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant European Equity Rebalance Date; and
- (iv) the relevant ETF's AUM (as defined above) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant European Equity Rebalance Date.

The European Equity Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each European Equity Rebalance Date.

#### *Weights Determination Methodology*

The European Equity Weight for each Component European Equity ETF in respect of each European Equity Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every European Equity Rebalance Date, the set of European Equity Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the European Equity Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component European Equity ETF.

On each European Equity Rebalance Date  $t^*$ , the European Equity Weights of the Component European Equity ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_t^i \times \mu_t^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_t^i \times W_t^j \times \sigma_t^i \times \sigma_t^j \times \rho_t^{i,j} - \sum_{i=1}^N |W_t^i - \tilde{W}_t^i| \times \tau_t^i \right\}$$

subject to

- (a) the following lower and upper bounds:

$$0\% \leq W_t^i \leq 30\% \quad \text{for every } i; \text{ and}$$

- (b) a full investment constraint:

$$\sum_{i=1}^N W_t^i = 100\%;$$

where:

$W_t^i$  is the optimised weight to be applied to the i-th Component European Equity ETF in the European Equity Rebalancing Period following the Rebalance Date  $t^*$ ;

$W_{t^*}^i$  is the the optimised weight applied to the i-th Component European Equity ETF in the European Equity Rebalancing Period preceding the European Equity Rebalance Date  $t^*$ ;

$\mu_{t^*}^i$  is the expected return calculated for the i-th Component European Equity ETF averaging the historical simple daily returns on a window size of 1 year preceding the European Equity Rebalance Date  $t^*$ ;

$\sigma_{t^*}^i$  is the volatility (standard deviation) calculated for the i-th Component European Equity ETF averaging the historical simple daily returns on a window size of 1 year preceding the European Equity Rebalance Date  $t^*$ ;

$\rho_{t^*}^{i,j}$  is the correlation between the i-th and the j-th Component European Equity ETFs, with  $i \neq j$ , averaging the historical simple daily returns on a window size of 1 year preceding the European Equity Rebalance Date  $t^*$ ;

$\tau_{t^*}^i$  is the transaction cost applied to the i-th Component European Equity ETF on the European Equity Rebalance Date  $t^*$ ;

$N$  is the number of Component European Equity ETFs in the European Equity Basket.

“**European Equity Rebalancing Period**” is the period from, and including, a European Equity Rebalance Date to, but excluding, the next following European Equity Rebalance Date.

The new weights of each Component European Equity ETF within the basket will be published by the Index Calculation Agent on the Exchange Business Day following each European Equity Rebalance Date.

#### *European Equity Index Level*

The level of the European Equity Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

$t^*$  means the European Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first European Equity Rebalance Date

$W_t^i$  means the weight of Component European Equity ETF<sub>i</sub> as determined on the European Equity Rebalance Date immediately preceding Exchange Business Day “t”

$S_t^i$  means the official closing price of Component European Equity ETF<sub>i</sub> at the close of business on Exchange Business Day “t”

$S_{t^*}^i$  means the European Equity Market Quotation of Component European Equity ETF<sub>i</sub> on  $t^*$  as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt is the first European Equity Rebalance Date

$d_t^i$  means the sum of the cash flows paid by the Component European Equity ETF<sub>i</sub> between the European Equity Rebalance Date  $t^*$  and the Exchange Business Day  $t$

*MgtFees* means the annual management fee of 1.00 per cent per annum

On the European Equity Rebalance Date  $t^*$ , the European Equity Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the European Equity Rebalance Date immediately preceding European Equity Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component European Equity ETF<sub>i</sub> in the European Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component European Equity ETF<sub>i</sub> during the European Equity Rebalancing Period between  $s^*$  and  $t^*$

The European Equity Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of the Securities are quoted Ex Remuneration Amount) will be each European Equity Rebalance Date.

As used in this section, the following terms have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component European Equity ETF.

“**Component European Equity ETF**” means an ETF which comprises part of the European Equity Index from time to time, with the current Component European Equity ETFs and their respective weightings being those specified in the section headed “*Component European Equity ETFs*” below.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component European Equity ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**European Equity Index Level**” or “**Index<sub>t</sub>**” means, with respect to an Exchange Business Day “t”, the level of the European Equity Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

$t^*$  means the European Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first European Equity Rebalance Date

$W_{t^*}^i$  means the weight of Component European Equity ETF<sub>i</sub> as determined on the European Equity Rebalance Date immediately preceding Exchange Business Day “t”

$S_t^i$  means the official closing price of Component European Equity ETF<sub>i</sub> at the close of business on Exchange Business Day “t”

$S_{t^*}^i$  means the European Equity Market Quotation of Component European Equity ETF<sub>i</sub> on  $t^*$  as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first European Equity Rebalance Date

$d_t^i$  means the sum of the cash flows paid by the Component European Equity ETF<sub>i</sub> between the European Equity Rebalance Date  $t^*$  and the Exchange Business Day  $t$

$MgtFee$  means the annual management fee of 1.00 per cent per annum

On the European Equity Rebalance Date  $t^*$ , the European Equity Index will be calculated as

$$Index_{t^*} = Index_{t^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the European Equity Rebalance Date immediately preceding European Equity Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component European Equity ETF<sub>i</sub> in the European Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component European Equity ETF<sub>i</sub> during the European Equity Rebalancing Period between  $s^*$  and  $t^*$

“**European Equity Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component ETF<sub>i</sub> by Reference Market-makers between 12:00 CET and 12:30 CET.

“**European Equity Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component European Equity ETF.

“**European Equity Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**European Equity Rebalancing Period**” is the period from, and including, a European Equity Rebalance Date to, but excluding, the next following European Equity Rebalance Date.

“**European Equity Reference Market-maker**” means an official specialist and/or liquidity provider for each Component European Equity ETF.

“**Substitute Component European Equity ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the European Equity Eligibility Criteria.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component European Equity ETF on the Exchange in respect of such Component European Equity ETF.

#### *Component European Equity ETFs*

The Component European Equity ETFs and their respective weightings which comprise the European Equity Index as at the date of this Base Prospectus are:

<b>Component Ticker</b>	<b>ETF</b>	<b>Component ISIN</b>	<b>ETF</b>	<b>Component Description</b>	<b>ETF</b>	<b>Weight</b>
DAXEX IM		DE0005933931		iShares DAX® (DE)		30%
EUE IM		IE0008471009		iShares Euro Stoxx 50		10%
DJMC IM		IE00B02KXL92		iShares Euro Stoxx Mid		30%
IDJG IM		IE00B0M62V02		iShares Euro Stoxx Total Market Growth Large		30%

### **C) ETF MANAGER WORLD EQUITY INDEX**

#### *General*

The ETF Manager World Equity Index (the “**World Equity Index**”) has been established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**World Equity Index Sponsor**”) on 12 August 2011 (the “**World Equity Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the World Equity Index (the “**Index Calculation Agent**”) is responsible for the operation of the World Equity Index and accordingly will announce the World Equity Index Level and the composition of the World Equity Index every Exchange Business Day at the close of business, except on any World Equity Rebalance Day when the announcement will be made at or before 14:00 CET.

#### *Composition*

The World Equity Index replicates a dynamic investment in a basket of Component World Equity ETFs (the “**World Equity Basket**”). The investment theme of the World Equity Index is investment in iShares ETFs tracking the performance of the main world equity indices, including sector indices and thematic indices, with investments in euro-hedged ETFs being favoured. The current Component World Equity ETFs are specified and their current World Equity Weights (as defined below) within the World Equity Basket as specified below.

The weights (the “**World Equity Weights**”) of each Component World Equity ETF within the World Equity Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “*Weights Determination Methodology*”.

If a World Equity Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the World Equity Basket composition by (a) adding a Component World Equity ETF to the Component World Equity ETFs which are then part of the World Equity Basket; or (b) removing a Component World Equity ETF from the World Equity Basket; or (c) substituting the relevant Component World Equity ETF with a Substitute Component

World Equity ETF. A Substitute Component World Equity ETF is an ETF selected by the Index Calculation Agent in its sole discretion which meets the World Equity Eligibility Criteria.

The World Equity Eligibility Criteria are the criteria determined by the Index Calculation Agent quarterly on each World Equity Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;
- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the World Equity Index;
- (iii) the relevant ETF’s liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant World Equity Rebalance Date; and
- (iv) the relevant ETF’s AUM (as defined below) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant World Equity Rebalance Date.

The World Equity Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each World Equity Rebalance Date.

*Weights Determination Methodology*

The World Equity Weight for each Component World Equity ETF in respect of each World Equity Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every World Equity Rebalance Date, the set of World Equity Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the World Equity Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component World Equity ETF.

On each World Equity Rebalance Date  $t^*$ , the World Equity Weights of the Component World Equity ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_t^i \times \mu_t^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_t^i \times W_t^j \times \sigma_t^i \times \sigma_t^j \times \rho_t^{i,j} - \sum_{i=1}^N |W_t^i - \tilde{W}_t^i| \times \tau_t^i \right\}$$

subject to

- (a) the following lower and upper bounds:

$$0\% \leq W_t^i \leq 30\% \quad \text{for every } i; \text{ and}$$

- (b) a full investment constraint:

$$\sum_{i=1}^N W_{t^*}^i = 100\%;$$

where:

$W_{t^*}^i$  is the optimised weight to be applied to the i-th Component World Equity ETF in the Rebalancing Period following the Rebalance Date  $t^*$ ;

$\bar{W}_{t^*}^i$  is the the optimised weight applied to the i-th Component World Equity ETF in the World Equity Rebalancing Period preceding the World Equity Rebalance Date  $t^*$ ;

$\mu_{t^*}^i$  is the expected return calculated for the i-th Component World Equity ETF averaging the historical simple daily returns on a window size of 1 year preceding the World Equity Rebalance Date  $t^*$ ;

$\sigma_{t^*}^i$  is the volatility (standard deviation) calculated for the i-th Component World Equity ETF averaging the historical simple daily returns on a window size of 1 year preceding the World Equity Rebalance Date  $t^*$ ;

$\rho_{t^*}^{i,j}$  is the correlation between the i-th and the j-th Component World Equity ETFs, with  $i \neq j$ , averaging the historical simple daily returns on a window size of 1 year preceding the World Equity Rebalance Date  $t^*$ ;

$\tau_{t^*}^i$  is the transaction cost applied to the i-th Component World Equity ETF on the World Equity Rebalance Date  $t^*$ ;

$N$  is the number of Component World Equity ETFs in the World Equity Basket.

“**World Equity Rebalancing Period**” is the period from, and including, a World Equity Rebalance Date to, but excluding, the next following World Equity Rebalance Date.

The new weights of each Component World Equity ETF within the basket will be published by the Index Calculation Agent on the Exchange Business Day following each World Equity Rebalance Date.

#### *World Equity Index Level*

The level of the World Equity Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

$t^*$  means the World Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first World Equity Rebalance Date

$W_t^i$  means the weight of Component World Equity ETF<sub>i</sub> as determined on the World Equity Rebalance Date immediately preceding Exchange Business Day “t”

$S_t^i$  means the official closing price of Component World Equity ETF<sub>i</sub> at the close of business on Exchange Business Day “t”

$S_{t^*}^i$  means the World Equity Market Quotation of Component World Equity ETF<sub>i</sub> on  $t^*$  as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt is the first World Equity Rebalance Date

$d_t^i$  means the sum of the cash flows paid by the Component World Equity ETF<sub>i</sub> between the World Equity Rebalance Date  $t^*$  and the Exchange Business Day  $t$

**MgtFee** means the annual management fee of 1.00 per cent per annum

On the World Equity Rebalance Date  $t^*$ , the World Equity Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the World Equity Rebalance Date immediately preceding World Equity Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component World Equity ETF<sub>i</sub> in the World Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component World Equity ETF<sub>i</sub> during the World Equity Rebalancing Period between  $s^*$  and  $t^*$

The World Equity Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of the Securities are quoted Ex Remuneration Amount) will be each World Equity Rebalance Date.

As used in this section, the following terms have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component World Equity ETF.

“**Component World Equity ETF**” means an ETF which comprises part of the World Equity Index from time to time, with the current Component World Equity ETFs and their respective weightings being those specified in the section headed “Component European Equity ETFs” below.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component World Equity ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**Substitute Component World Equity ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the World Equity Eligibility Criteria.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component World Equity ETF on the Exchange in respect of such Component World Equity ETF.

“**World Equity Index Level**” or “**Index<sub>t</sub>**” means, with respect to an Exchange Business Day “t”, the level of the World Equity Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_t^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

$t^*$  means the World Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first World Equity Rebalance Date

$W_t^i$  means the weight of Component World Equity ETF<sub>i</sub> as determined on the World Equity Rebalance Date immediately preceding Exchange Business Day “t”

$S_t^i$  means the official closing price of Component World Equity ETF<sub>i</sub> at the close of business on Exchange Business Day “t”

$S_{t^*}^i$  means the World Equity Market Quotation of Component World Equity ETF<sub>i</sub> on  $t^*$  as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first World Equity Rebalance Date

$d_t^i$  means the sum of the cash flows paid by the Component World Equity ETF<sub>i</sub> between the World Equity Rebalance Date  $t^*$  and the Exchange Business Day  $t$

*MgtFee* means the annual management fee of 1.00 per cent per annum

On the World Equity Rebalance Date  $t^*$ , the World Equity Index will be calculated as

$$Index_t = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the World Equity Rebalance Date immediately preceding World Equity Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component World Equity ETF<sub>i</sub> in the World Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component World Equity ETF<sub>i</sub> during the World Equity Rebalancing Period between  $s^*$  and  $t^*$

“**World Equity Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component ETF<sub>i</sub> by Reference Market-makers between 12:00 CET and 12:30 CET.

“**World Equity Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component World Equity ETF.

“**World Equity Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**World Equity Rebalancing Period**” is the period from, and including, a World Equity Rebalance Date to, but excluding, the next following World Equity Rebalance Date.

“**World Equity Reference Market-maker**” means an official specialist and/or liquidity provider for each Component World Equity ETF.

*Component World Equity ETFs*

The Component World Equity ETFs and their respective weightings which comprise the World Equity Index as at the date of this Base Prospectus are:

<b>Component Ticker</b>	<b>ETF</b>	<b>Component ISIN</b>	<b>ETF</b>	<b>Component Description</b>	<b>ETF</b>	<b>Weight</b>
DAXEX IM		DE0005933931		iShares DAX® (DE)		30%
EUE IM		IE0008471009		iShares Euro Stoxx 50		30%
IUSA IM		IE0031442068		iShares S&P 500		30%
IJPN IM		IE00B02KXH56		iShares MSCI Japan		10%

**D) ETF MANAGER CONSERVATIVE BOND INDEX**

*General*

The ETF Manager Conservative Bond Index (the “**Conservative Bond Index**”) will be established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**Conservative Bond Index Sponsor**”) on 12 August 2011 (the “**Conservative Bond Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the Conservative Bond Index (the “**Index Calculation Agent**”) is responsible for the operation of the Conservative Bond Index and accordingly will announce the Conservative Bond Index Level and the composition of the Conservative Bond Index every Exchange Business Day at the close of business, except on any Conservative Bond Rebalance Day when the announcement will be made at or before 14:00 CET.

*Composition*

The Conservative Bond Index replicates a dynamic investment in a basket of Component Conservative Bond ETFs (the “**Conservative Bond Basket**”). The investment theme of the Conservative Bond Index is investment in iShares ETFs tracking the performance of low risk bond assets, typically government bonds with different maturities and selected corporate bonds. The current Component ETFs are specified and their current Conservative Bond Weights (as defined below) within the Conservative Bond Basket are specified below.

The weights (the “**Conservative Bond Weights**”) of each Component Conservative Bond ETF within the Conservative Bond Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “*Weights Determination Methodology*”.

If a Conservative Bond Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the Conservative Bond Basket composition by (a) adding a Component Conservative Bond ETF to the Component Conservative Bond ETFs which are then part of the Conservative Bond Basket; or (b) removing a Component Conservative Bond ETF from the Conservative Bond Basket; or (c) substituting the relevant Component Conservative Bond ETF with a Substitute Component Conservative Bond ETF. A Substitute Component Conservative Bond ETF is an ETF selected by the Index Calculation Agent in its sole discretion which meets the Conservative Bond Eligibility Criteria.

The “**Conservative Bond Eligibility Criteria**” are the criteria determined by the Index Calculation Agent quarterly on each Conservative Bond Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;
- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the Conservative Bond;
- (iii) the relevant ETF’s liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant Conservative Bond Rebalance Date; and
- (iv) the relevant ETF’s AUM (as defined below) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant Conservative Bond Rebalance Date.

The Conservative Bond Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each Conservative Bond Rebalance Date.

#### *Weights Determination Methodology*

The Conservative Bond Weight for each Component Conservative Bond ETF in respect of each Conservative Bond Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every Conservative Bond Rebalance Date, the set of Conservative Bond Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the Conservative Bond Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component Conservative Bond ETF.

On each Conservative Bond Rebalance Date  $t^*$ , the Conservative Bond Weights of the Component Conservative Bond ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_{t^*}^i \times \mu_{t^*}^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_{t^*}^i \times W_{t^*}^j \times \sigma_{t^*}^i \times \sigma_{t^*}^j \times \rho_{t^*}^{i,j} - \sum_{i=1}^N |W_{t^*}^i - \bar{W}_{t^*}^i| \times \tau_{t^*}^i \right\}$$

subject to

(a) the following lower and upper bounds:

$$0\% \leq W_t^i \leq 30\% \quad \text{for every } i; \text{ and}$$

(b) a full investment constraint:

$$\sum_{i=1}^N W_t^i = 100\%;$$

where:

$W_t^i$  is the optimised weight to be applied to the i-th Component Conservative Bond ETF in the Conservative Bond Rebalancing Period following the Conservative Bond Rebalance Date  $t^*$ ;

$\hat{W}_t^i$  is the the optimised weight applied to the i-th Component Conservative Bond ETF in the Conservative Bond Rebalancing Period preceding the Conservative Bond Rebalance Date  $t^*$ ;

$\mu_t^i$  is the expected return calculated for the i-th Component Conservative Bond ETF averaging the historical simple daily returns on a window size of 1 year preceding the Conservative Bond Rebalance Date  $t^*$ ;

$\sigma_t^i$  is the volatility (standard deviation) calculated for the i-th Component Conservative Bond ETF averaging the historical simple daily returns on a window size of 1 year preceding the Conservative Bond Rebalance Date  $t^*$ ;

$\rho_t^{i,j}$  is the correlation between the i-th and the j-th Component Conservative Bond ETFs, with  $i \neq j$ , averaging the historical simple daily returns on a window size of 1 year preceding the Conservative Bond Rebalance Date  $t^*$ ;

$\tau_t^i$  is the transaction cost applied to the i-th Component Conservative Bond ETF on the Conservative Bond Rebalance Date  $t^*$ ;

$N$  is the number of Component Conservative Bond ETFs in the Conservative Bond Basket.

“**Conservative Bond Rebalancing Period**” is the period from, and including, a Conservative Bond Rebalance Date to, but excluding, the next following Conservative Bond Rebalance Date.

The new weights of each Component Conservative Bond ETF within the basket will be published by the Index Calculation Agent on the Business Day following each Conservative Bond Rebalance Date.

#### *Conservative Bond Index Level*

The level of the Conservative Bond Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

$t^*$  means the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, is the first Conservative Bond Rebalance Date

$W_{t^*}^i$  means the weight of Component Conservative Bond ETF<sub>i</sub> as determined on the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”

$S_t^i$  means the official closing price of Component Conservative Bond ETF<sub>i</sub> at the close of business

on Exchange Business Day “t”

$S_{t^*}^i$  means the Conservative Bond Market Quotation of Component Conservative Bond ETF<sub>i</sub> on  $t^*$  as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first Conservative Bond Rebalance Date

$d_t^i$  means the sum of the cash flows paid by the Component Conservative Bond ETF<sub>i</sub> between the Conservative Bond Rebalance Date  $t^*$  and the Exchange Business Day  $t$

*MgtFee* means the annual management fee of 0.50 per cent per annum

On the Conservative Bond Rebalance Date  $t^*$ , the Conservative Bond Index will be calculated as

$$Index_t = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the Conservative Bond Rebalance Date immediately preceding Conservative Bond Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Conservative Bond ETF<sub>i</sub> in the Conservative Bond Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Conservative Bond ETF<sub>i</sub> during the Conservative Bond Rebalancing Period between  $s^*$  and  $t^*$

The Conservative Bond Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of the Securities are quoted Ex Remuneration Amount) will be each Conservative Bond Rebalance Date.

The following terms will have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component Conservative Bond ETF.

“**Component Conservative Bond ETF**” means an ETF which comprises part of the Conservative Bond Index from time to time, with the current Component Conservative Bond ETFs and their respective weightings being those specified in the section headed “Component Conservative Bond ETFs” below.

“**Conservative Bond Index Level**” or “**Index<sub>t</sub>**” means, with respect to an Exchange Business Day “t”, the level of the Conservative Bond Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left( \frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

**t\*** means the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first Conservative Bond Rebalance Date

**W<sub>t\*</sub><sup>i</sup>** means the weight of Component Conservative Bond ETF<sub>i</sub> as determined on the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”

**S<sub>t</sub><sup>i</sup>** means the official closing price of Component Conservative Bond ETF<sub>i</sub> at the close of business on Exchange Business Day “t”

**S<sub>t\*</sub><sup>i</sup>** means the Conservative Bond Market Quotation of Component Conservative Bond ETF<sub>i</sub> on **t\*** as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first Conservative Bond Rebalance Date

**d<sub>t</sub><sup>i</sup>** means the sum of the cash flows paid by the Component Conservative Bond ETF<sub>i</sub> between the Conservative Bond Rebalance Date **t\*** and the Exchange Business Day **t**

**MgtFee** means the annual management fee of 0.50 per cent per annum

On the Conservative Bond Rebalance Date  $t^*$ , the Conservative Bond Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

$s^*$  means the Conservative Bond Rebalance Date immediately preceding Conservative Bond Rebalance Date  $t^*$

$\hat{d}_{t^*}^i$  means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Conservative Bond ETF<sub>i</sub> in the Conservative Bond Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Conservative Bond ETF<sub>i</sub> during the Conservative Bond Rebalancing Period between  $s^*$  and  $t^*$

“**Conservative Bond Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component ETF<sub>i</sub> by Reference Market-makers between 12:00 CET and 12:30 CET.

“**Conservative Bond Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component Conservative Bond ETF.

“**Conservative Bond Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**Conservative Bond Rebalancing Period**” is the period from, and including, a Conservative Bond Rebalance Date to, but excluding, the next following Conservative Bond Rebalance Date.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component Conservative Bond ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**Reference Market-maker**” means an official specialist and/or liquidity provider for each Component Conservative Bond ETF.

“**Substitute Component Conservative Bond ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the Conservative Bond Eligibility Criteria. “**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component Conservative Bond ETF on the Exchange in respect of such Component Conservative Bond ETF.

*Component Conservative Bond ETFs*

The Component Conservative Bond ETFs and their respective weightings which comprise the Conservative Bond Index as at the date of this Base Prospectus are:

<b>Component Ticker</b>	<b>ETF</b>	<b>Component ISIN</b>	<b>ETF</b>	<b>Component Description</b>	<b>ETF</b>	<b>Weight</b>
ICOV IM		IE00B3B8Q275		iShares Markit iBoxx Euro Covered Bond		30%
IBGL IM		IE00B1FZS913		iShares Barclays Capital Euro Government Bond 15-30		30%
IBGM IM		IE00B1FZS806		iShares Barclays Capital Euro Government Bond 7-10		30%
SEGA IM		IE00B4WXJJ64		iShares Barclays Euro Treasury Bond		10%

## TERMS AND CONDITIONS OF THE SECURITIES

### 1. BASE TERMS AND CONDITIONS

*The following is the text of the Terms and Conditions of the Securities which, as completed by the applicable Final Terms, will apply to each issue of Securities and be incorporated by reference into each Global Security.*

Mediobanca - Banca di Credito Finanziario S.p.A. (“**Mediobanca**”), Mediobanca International (Luxembourg) S.A. (“**Mediobanca International**”) (each, an “**Issuer**” and, together, the “**Issuers**”) have established an Issuance Programme (the “**Programme**”) for the issuance of certificates (“**Certificates**”) and warrants (“**Warrants**” and, together with the Certificates, “**Securities**”), guaranteed by Mediobanca (in its capacity as guarantor, the “**Guarantor**”) in respect of Securities issued by Mediobanca International.

The Securities are issued pursuant to an Issue and Paying Agency Agreement dated 6 March 2014, as amended or supplemented from time to time, (the “**Issue and Paying Agency Agreement**”) between the Issuers, the Guarantor, BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent and principal paying agent (the “**Fiscal Agent**”) and Mediobanca in its capacity as Italian paying agent (the “**Italian Paying Agent**” and together with the Fiscal Agent and any additional or other paying agents in respect of the Securities from time to time appointed, the “**Paying Agents**”) and with the benefit of deeds of covenant dated 6 March 2014 (each, a “**Deed of Covenant**” and, together, the “**Deeds of Covenant**”), each of them executed by the relevant Issuer in respect of Securities issued by such Issuer. The Guarantor has, for the benefit of the holders of Securities issued by Mediobanca International from time to time, executed and delivered a deed of guarantee (the “**Deed of Guarantee**”) dated 6 March 2014 under which it has guaranteed, in accordance with the terms and subject to limitations of the Deed of Guarantee, the due and punctual payment of the amounts due and the performance of any non-cash delivery obligations by Mediobanca International under the Securities and the Deed of Covenant as and when the same shall become due and payable or deliverable, as the case may be (the “**Guarantee of the Securities**”).

The Securityholders (as defined in Condition 1(B)) are deemed to have notice of all of the provisions of the Issue and Paying Agency Agreement applicable to them.

Securities issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Securities. Each Tranche is the subject of final terms (the “**Final Terms**”) which completes these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Securities are these Conditions, as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail. All subsequent references in these Conditions to “**Securities**” are to the Securities which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the specified office of the Fiscal Agent, the initial specified office of which is set out below (the “**Specified Office**”). Certain provisions of these Conditions are summaries of the Issue and Paying Agency Agreement and are subject to their detailed provisions.

The Final Terms issued in respect of each issue of Securities will specify whether the relevant Issuer is Mediobanca or Mediobanca International. In these Conditions of the Securities, any reference to a

statute or regulation shall be construed as a reference to such statute or regulation as the same may have been, or may from time to time be, amended or re-enacted.

Copies of the Issue and Paying Agency Agreement, the Deeds of Covenant and the Deed of Guarantee are available for inspection at the Specified Office of the Paying Agent.

Securities will be either Warrants or Certificates, as specified in the applicable Final Terms, and references in these Conditions to “**Security**” and “**Securities**” will be construed accordingly. Conditions 16, 17 and 18 apply only to Warrants and Conditions 19, 20 and 21 apply only to Certificates. Other Conditions apply to Warrants or Certificates, as applicable. References herein to the applicable Final Terms are to Part A of the Final Terms or each Final Terms (in the case of any further securities issued pursuant to Condition 10 and forming a single series with the Securities) (which for the avoidance of doubt may be issued in respect of more than one series of Securities) attached to the global security in bearer form representing the Securities (the “**Global Security**”) insofar as it relates to the Securities.

## 1. **Type, Title and Transfer**

### (A) *Type*

The Securities are Index Securities, Share Securities, Debt Securities, Currency Securities, Commodity Securities Fund Securities or Credit Securities. Certain terms which will apply to Index Securities, Share Securities, Debt Securities Commodity Securities or Credit Securities, respectively, are set out in Condition 13.

The applicable Final Terms will indicate:

- (1) for all Securities:
  - (i) whether settlement shall be by way of cash payment (“**Cash Settled Securities**”) or physical delivery (“**Physical Delivery Securities**”);
  - (ii) whether Averaging (“**Averaging**”) will apply to the Securities; and
  - (iii) if Averaging is specified as applying in the applicable Final Terms, the relevant Averaging Dates and, if an Averaging Date is a Disrupted Day (as defined in Condition 3), whether Omission, Postponement or Modified Postponement (each as defined in Condition 3 below) applies;
- (2) in the case of Warrants only:
  - (i) whether the Warrants are American style Warrants, being Warrants which are exercisable during a specified period (“**American Style Warrants**”) or European style Warrants, being Warrants which are exercisable on a specified date (“**European Style Warrants**”) and whether automatic exercise (“**Automatic Exercise**”) applies to the Warrants;
  - (ii) whether the Warrants are call Warrants (“**Call Warrants**”) or put Warrants (“**Put Warrants**”) and whether the Warrants may only be exercisable in Units. If Units are specified in the applicable Final Terms, Warrants must be exercised in Units and any

Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect; and

- (3) in the case of Certificates only, whether remuneration shall be payable in respect of the Securities.

References in these Conditions, unless the context otherwise requires, to Cash Settled Securities shall be deemed to include references to Physical Delivery Securities, which include an option (as set out in the applicable Final Terms) at the relevant Issuer's election to request cash settlement of such Security and where settlement is to be by way of cash payment, and references in these Conditions, unless the context otherwise requires, to Physical Delivery Securities shall be deemed to include references to Cash Settled Securities which include an option (as set out in the applicable Final Terms) at the relevant Issuer's election to request physical delivery of the relevant Reference Item in settlement of such Security and where settlement is to be by way of physical delivery.

(B) *Title to Securities*

Except as set out below, each person who is for the time being shown in the records of the relevant Clearing System(s) as the holder of a particular number of Securities (in which regard any certificate or other document issued by the relevant Clearing System(s) as to the number of Securities 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 relevant Issuer, the Paying Agents and the Calculation Agent as the holder of such number of Securities for all purposes (and the expressions “**Securityholder**”, “**Certificateholder**” and “**holder of Securities**” and related expressions shall be construed accordingly).

(C) *Transfers of Securities*

For so long as the Securities are represented by Securities in definitive form (“**Definitive Securities**”), title to the Securities will pass by delivery.

For so long as the Securities are represented by a Global Security, all transactions (including transfers of Securities) in the open market or otherwise must be effected through an account at the relevant Clearing System(s), subject to and in accordance with the rules and procedures for the time being of the relevant Clearing System(s). Title will pass upon registration of the transfer in the books of the relevant Clearing System(s).

If the relevant Final Terms specifies that the Securities will be held in book-entry form, then the Securities will not be represented by paper certificates and the transfer and exchange of Securities will take place exclusively through an electronic book-entry system managed by Monte Titoli S.p.A. or any other centralised custodian appointed by the Issuers (the “**Centralised Custodian**”). Accordingly, all Securities held in book-entry form shall be deposited by their owners with an intermediary participant in the relevant Centralised Custodian. The intermediary will in turn deposit the Securities with the Centralised Custodian.

Any reference herein to a Clearing System(s), Euroclear and/or Clearstream, Luxembourg and/or Monte Titoli shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer and the Fiscal Agent from time to time and notified to the Securityholders in accordance with Condition 8.

Any transfer or attempted transfer within the United States or to, or for the account or benefit of, a United States person shall be null and void *ab initio* and shall vest no rights in the purported transferee (the “**Disqualified Transferee**”) and the last preceding holder that was not a Disqualified Transferee shall be restored to all rights as a Securityholder thereof retroactively to the date of transfer of such interest by the relevant Securityholder.

## 2. **Status of the Securities and the Guarantee**

### (a) *Status of the Securities*

The Securities constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant 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 relevant Issuer from time to time outstanding.

### (b) *Status of Guarantee*

The Guarantee of the Securities constitutes direct, unconditional, unsubordinated and unsecured obligations of the Guarantor pursuant to the terms and conditions and subject to the limitations set out in the Deed of Guarantee which will rank at all times at least *pari passu* without any preference among themselves and equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for certain mandatory exceptions of applicable law.

As more fully set forth in the Guarantee, the Guarantor shall at all times have the right, at its sole and unfettered discretion, to elect not to deliver or procure delivery of the Entitlement to the holders of such Physical Delivery Securities when the same shall become due and deliverable, but in lieu thereof to pay an amount in cash equal to the Guaranteed Cash Settlement Amount. The “**Guaranteed Cash Settlement Amount**” in respect of each Security means an amount calculated pursuant to the terms of, or as specified in, the applicable Final Terms or, if not specified in the applicable Final Terms, an amount equal to the fair market value of the Entitlement in respect of such Security on any date notified as such by the Guarantor to the relevant Issuer and the Calculation Agent, less the cost to the relevant Issuer and/or its Affiliates or agents of unwinding or adjusting any underlying or related hedging arrangements (including the cost of funding in respect of such hedging arrangements), all as determined by the Guarantor in its sole and absolute discretion. Any payment of the Guaranteed Cash Settlement Amount in lieu of the Entitlement shall constitute a complete discharge of the Guarantor’s obligations in respect of such Physical Delivery Securities.

## 3 **Definitions**

For the purposes of these Conditions, the following general definitions will apply:

“**Actual Exercise Date**”, in respect of an American Style Warrant, is defined in Condition 16(A)(i) or, in respect of a European Style Warrant, is defined in Condition 16(A)(ii), in each case subject to Condition 18(A)(ii);

“**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;

“**Averaging Date**” means, in respect of an Actual Exercise Date (in the case of Warrants) or an Exercise Date (in the case of Certificates), each date specified as an Averaging Date in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day:

- (a) if “**Omission**” is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision there would not be an Averaging Date in respect of such Actual Exercise Date or Exercise Date, as the case may be, then the provisions of the definition of Valuation Date will apply for purposes of determining the relevant level, price or amount on the final Averaging Date with respect to that Actual Exercise Date or Exercise Date, as the case may be, as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if “**Postponement**” is specified as applying in the applicable Final Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if “**Modified Postponement**” is specified as applying in the applicable Final Terms:
  - (i) where the Securities relate to a Reference Item constituted by only one item, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to such Actual Exercise Date or Exercise Date, as the case may be, then (A) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a) of the definition of Valuation Date below; and
  - (ii) where the Securities relate to a Basket, the Averaging Date for each Component not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the “**Scheduled Averaging Date**”) and the Averaging Date for a Component affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Component. If the first succeeding Valid Date in relation to such Component has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to such Actual Exercise Date or Exercise Date, as the case may be, then (A) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Component, and (B) the

Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (b) of the definition of Valuation Date below;

“**Basket**” means in respect of any Reference Item constituted by more than one item, the basket composed of such items in the relative proportions and/or numbers specified in the Final Terms;

“**Bid Price**” means, in respect of a Debt Instrument, the bid price for such Debt Instrument, including accrued but unpaid interest (if the Final Terms specify that Include Accrued Interest is applicable) or excluding accrued but unpaid interest (if the Final Terms specify that Include Accrued Interest is not applicable).

“**Business Day**” means (i) a day (other than a Saturday or Sunday) 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 relevant Business Day Centre(s) and on which the relevant Clearing System(s) is open for business and (ii) for the purposes of making payments in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) or any successor thereto is open;

“**Cash Settlement Amount**” means, in relation to a Cash Settled Security, the amount which the Securityholder is entitled to receive on the Settlement Date in the Settlement Currency in relation to each such Security, or in relation to Warrants and if Units are specified in the applicable Final Terms, each Unit, in each case as specified in the applicable Final Terms or determined by the Calculation Agent in accordance with the following:

- (a) (in the case of Certificates and if “Normal Performance” is specified as being applicable in the Final Terms) an amount equal to:
  - (i) the Nominal Amount; multiplied by
  - (ii)  $(1 + (\text{Participation Factor multiplied by Performance of Underlying}))$ ;
- (b) (in the case of Certificates and if “Performance Differential” is specified as being applicable in the Final Terms) an amount equal to:
  - (i) the Nominal Amount; multiplied by
  - (ii)  $(1 + (\text{Participation Factor multiplied by } (\text{Performance of Underlying } 1 \text{ minus Performance of Underlying } 2)))$ ;
- (c) (in the case of Warrants) an amount equal to:
  - (i) if the Warrants are Call Warrants, the Final Reference Level minus the Strike Level;
  - (ii) if the Warrants are Put Warrants, the Strike Level minus the Final Reference Level,

provided in each case that the Cash Settlement Amount will not be greater than the Maximum Amount (if any) and will not be less than the Minimum Amount (if any). The Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Securities exercised or redeemed, as the case may be, at the same time by the same Securityholder will be aggregated for

the purpose of determining the aggregate Cash Settlement Amount payable. This definition shall not apply to Credit Securities;

“**Clearing System**” shall mean Euroclear and/or Clearstream, Luxembourg and/or Monte Titoli S.p.A. or such other clearing system as may be specified in the applicable Final Terms;

“**Commodity**” means the commodity specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

“**Commodity Index**” means each index specified as such in the applicable Final Terms;

“**Commodity Index Reference Price**” has the meaning given in the applicable Final Terms;

“**Commodity Reference Price**” means the reference price or spot price for the Specified Commodity specified in the Final Terms;

“**Component**” means in respect of any Reference Item constituted by a Basket, each component comprised in such Basket;

“**Component Weight**” means in respect of any Component comprised in a Basket, the percentage specified in the Final Terms;

“**Debt Instrument**” means the debt instrument specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

“**Delivery Date**” means, in respect of a Reference Item that is a Commodity, the Nearby Month of expiration of the relevant Specified Futures Contract or the relevant date or month for delivery of the underlying (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as follows:

- (a) if a date is, or a month and year are, specified in the Final Terms, that date or that month and year;
- (b) if a Nearby Month is specified in the Final Terms, the month of expiration of the relevant Specified Futures Contract; and
- (c) if a method is specified for the purpose of determining the Delivery Date, the date or the month and year determined pursuant to that method,

as determined by the Calculation Agent;

“**Disrupted Day**” means (a) in relation to Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, 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; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index, (ii) the Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred;

“**Entitlement**” means, in relation to a Physical Delivery Security, and a Reference Item or, as the case may be, a Component, the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Settlement Date in respect of each such Security following payment of any sums payable, including the Exercise Price (in the case of a Warrant) and Expenses rounded down as provided in Condition 16(C) or 19(C), as determined by the Calculation Agent including any documents evidencing such Entitlement, specified in the applicable Final Terms or in accordance with the following:

- (a) the Entitlement Units; multiplied by
- (b) the Entitlement Multiplier; multiplied by
- (c) in respect of any Reference Item constituted by a Basket, the Component Weight;

“**Entitlement Units**” has the meaning given in the applicable Final Terms;

“**Entitlement Multiplier**” has the meaning given in the applicable Final Terms;

“**Exchange**” means:

- (a) in respect of Index Securities and in relation to an Index which is not specified in the applicable Final Terms as being a Designated Multi-Exchange 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);
- (b) in respect of Index Securities and in relation to an Index which is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, in respect of each component security of that Index (each a “**Component Security**”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent;
- (c) in respect of Share Securities and in relation to a Share, each exchange or quotation system specified as such for such Share 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 Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange);
- (d) in respect of Commodity Securities if Exchange Price is specified as being applicable in the applicable Final Terms and in relation to a Commodity or Specified Futures Contract, each exchange or quotation system specified as such for such Commodity or Specified Futures Contract 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 Commodity or Specified Futures Contract has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Commodity or Specified Futures Contract on such temporary substitute exchange or quotation system as on the original Exchange); and

- (e) in respect of Fund Securities if Exchange Price is specified as being applicable in the applicable Final Terms and in relation to a Fund Interest, each exchange or quotation system specified as such for such Fund Interest 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 Fund Interest has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Fund Interest on such temporary substitute exchange or quotation system as on the original Exchange);

**“Exchange Business Day”** means (a) in respect of Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, 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; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time;

**“Exercise Business Day”** means:

- (a) in the case of Cash Settled Securities, a day that is a Business Day; and
- (b) in the case of Physical Delivery Securities, a day that is a Business Day and a Scheduled Trading Day;

**“Final Cash Settlement Amount”** means, with respect to Credit Securities, the amount as may be specified in the relevant Final Terms or if no such amount is specified, the outstanding nominal amount of such Certificate.

**“Final Reference Level”** means:

- (a) if Averaging is not specified as being applicable in the applicable Final Terms, the Settlement Price on the Valuation Date; or
- (b) if Averaging is specified as being applicable in the applicable Final Terms, the average of the Settlement Prices determined on each of the Averaging Dates;

**“Fund”** means the fund specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

**“Fund Interest”** means a unit, share, partnership interest, or other similar direct interest in a Fund that entitles the holder of such interest to a share in the net assets of that Fund, as specified as such in the applicable Final Terms, or such relevant interests in any Replacement Fund as determined by the Calculation Agent in accordance with Condition 13(E) below;

**“Fund Manager”** means (a) the person specified as such in the applicable Final Terms, (b) any other person responsible from time to time for notifying the holders of Fund Interests of the Net Asset Value, or (c) the relevant manager or person as described in (b) above in respect of any Replacement Fund as determined by the Calculation Agent in accordance with Condition 13(E) below;

“**Fund Rules**” means, with respect to a Fund, the terms of the bye-laws and other associated documentation relating to such Fund and any other rules or regulations relating to such Fund and the relevant Fund Interests (including any prospectus in respect of such) existing on the Issue Date of the Securities, including its investment guidelines and restrictions;

“**Index**” means the index specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

“**Initial Reference Level**” means the value specified in the Final Terms;

“**In-The-Money**” means:

- (a) in the case of a Warrant (a “**Cash Settled Warrant**”) which is a Cash Settled Security, the Cash Settlement Amount in respect of such Warrant is greater than zero; and
- (b) in the case of a Warrant (a “**Physical Delivery Warrant**”) which is a Physical Delivery Security, the value of the Entitlement on the Actual Exercise Date for such Warrant is greater than the Exercise Price as determined by the Calculation Agent;

“**Investing Entity**” means the relevant Issuer, any affiliate of the relevant Issuer or any hedge counterparty that holds, redeems or subscribes Fund Interests and references in these Conditions to an Investing Entity are to any such entity acting in that capacity;

“**Italian Listed Securities**” means Securities in respect of which the applicable Final Terms state that an application will be made to list and admit such Securities to trading on the Italian Stock Exchange and the expressions “**Italian Listed Warrants**” and “**Italian Listed Certificates**” shall be construed accordingly;

“**Italian Stock Exchange**” means the electronic "Securitized Derivatives Market" (the **SeDeX**), organised and managed by Borsa Italiana S.p.A.;

“**Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for each Component ETF by Reference Market-makers between 12:00 CET and 12:30 CET;

“**Maximum Amount**” has the meaning given in the applicable Final Terms;

“**Minimum Amount**” has the meaning given in the applicable Final Terms;

“**Nearby Month**”, when preceded by a numerical adjective, means, in respect of an Averaging Date or a Valuation Date, as applicable, the month of expiration of the Specified Futures Contract identified by that numerical adjective, so that: (i) “**First Nearby Month**” means the month of expiration of the first Specified Futures Contract to expire following that date; (ii) “**Second Nearby Month**” means the month of expiration of the second Specified Futures Contract to expire following that date; and, for example, (iii) “**Sixth Nearby Month**” means the month of expiration of the sixth Specified Futures Contract to expire following that date;

“**Net Asset Value**” means the available official net asset value of a Fund per Fund Interest, as either notified to the Calculation Agent by the relevant fund manager (or other entity responsible for calculating or notifying such value) or published by or on behalf of such Fund, less any applicable

costs, expenses or taxes that would be incurred by a holder of a Fund Interest in redeeming such Fund Interest, determined by the Calculation Agent; provided that if an Investing Entity either makes an investment in, or redeems, Fund Interests as of the relevant day at a price per Fund Interest that is different from the one so notified or published, the net price per Fund Interest at which such investment or redemption is effected shall be treated as the Settlement Price;

“**Participation Factor**” means the value specified in the Final Terms or if none is specified, 100 per cent.;

“**Performance of Underlying**” means an amount calculated by the Calculation Agent in respect of the Reference Item in accordance with the following formula:

$$\left[ \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

“**Performance of Underlying 1**” means an amount calculated by the Calculation Agent in respect of the Reference Item identified as Reference Item 1 in the Final Terms in accordance with the following formula:

$$\left[ \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

“**Performance of Underlying 2**” means an amount calculated by the Calculation Agent in respect of the Reference Item identified as Reference Item 2 in the Final Terms in accordance with the following formula:

$$\left[ \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

“**Price Source**” means, in respect of a Reference Item or any Component of a Basket, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated), as specified in the applicable Final Terms;

“**Reference Item**” has the meaning given in the applicable Final Terms;

“**Reference Market-maker**” means an Official Specialist and/or Liquidity Provider for each Component ETF (as defined in Condition 13 (A) (3));

“**Related Exchange**” means, in respect of Index Securities and in relation to an Index, in respect of Share Securities and in relation to a Share, in respect of Commodity Securities and in relation to a Commodity or Specified Futures Contract and in respect of Fund Securities and in relation to a Fund Interest, each exchange or quotation system specified as such in relation to such Index, Share, Commodity, Specified Futures Contract or Fund Interest, as the case may be, 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, Share, Commodity, Specified Futures Contract or Fund Interest, as the case may be, 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 or such Share 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, Share, Commodity, Specified Futures Contract or Fund Interest, as the case may be;

“**Relevant Asset**” means the asset or assets specified in the Final Terms that constitute the Entitlement;

“**Relevant Price**” means for any Valuation Date or Averaging Date, the Specified Price of the Index, determined with respect to such date for the Commodity Index Reference Price specified in the applicable Final Terms;

“**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 (a) in relation to Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of that Index, and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session;

“**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 Business Day**” means (a) a day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions (b) a day (other than a Saturday or Sunday) 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 relevant Settlement Business Day Centre(s) and (c) a day on which the relevant Clearing System(s) is open for business;

“**Settlement Date**” means, unless specified otherwise in the applicable Final Terms:

(a) in relation to Cash Settled Securities:

- (i) where Averaging is not specified in the applicable Final Terms, the fifth Business Day following the Valuation Date provided that if the Securities relate to a Basket and the occurrence of a Disrupted Day has resulted in a Valuation Date for one or more Components being adjusted as set out in the definition of Valuation Date below, the Settlement Date shall be the fifth Business Day next following the last occurring Valuation Date in relation to any Component; or
- (ii) where Averaging is specified in the applicable Final Terms, the fifth Business Day following the last occurring Averaging Date provided that where the Securities relate to a Basket and the occurrence of a Disrupted Day has resulted in an Averaging Date

for one or more Components being adjusted as set out in the definition of Averaging Date above, the Settlement Date shall be the fifth Business Day next following the last occurring Averaging Date in relation to any Component, or such other date as is specified in the applicable Final Terms; and

- (b) in relation to Physical Delivery Securities, the date specified as such in the applicable Final Terms;

**“Settlement Price”** means, in relation to each Cash Settled Security and, in relation to Warrants, if Units are specified in the applicable Final Terms, each Unit:

- (a) in respect of Index Securities other than Index Securities relating to a Commodity Index, subject to Condition 13(A) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
  - (i) in the case of Index Securities relating to a Basket of Indices, the sum of the amounts (which shall be deemed to be a monetary amount in the Index Currency) calculated as follows in respect of each Index comprising the Basket:
    - (a) the official closing level for such Index as determined by the Calculation Agent at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction; multiplied by
    - (b) the relevant Component Weight; and
  - (ii) in the case of Index Securities relating to a single Index, an amount (which shall be deemed to be a monetary amount in the Index Currency) equal to the official closing level of the Index as determined by the Calculation Agent at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction;
- (b) in respect of Share Securities, subject to Condition 13(B) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
  - (i) in the case of Share Securities relating to a Basket of Shares, the sum of the amounts calculated as follows in respect of each Share comprising the Basket:
    - (a) the official closing price (or the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share (as defined in Condition 15(B)) on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction (or, if in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case

may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent 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 or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the relevant Share whose official closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be determined based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the relevant Share or on such other factors as the Calculation Agent shall decide); multiplied by

(b) the relevant Component Weight,

each such value to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate, all as determined by or on behalf of the Calculation Agent; and

(ii) in the case of Share Securities relating to a single Share, an amount equal to the official closing price (or the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequent published correction (or, if in the opinion of the Calculation Agent, any such official closing price, (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent 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 or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide), such amount to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate and such converted

amount to be the Settlement Price, all as determined by or on behalf of the Calculation Agent;

- (c) in respect of Debt Securities, subject to Condition 13 (C) and as referred to in Valuation Date below or Averaging Date above:
  - (i) in the case of Debt Securities relating to a Basket of Debt Instruments, the sum of the amounts calculated as follows in respect of each Debt Instrument comprising the Basket:
    - (a) the Bid Price for such Debt Instrument as determined by or on behalf of the Calculation Agent by reference to the Bid Price to for such Debt Instrument appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or if such price is not available, the arithmetic mean of the Bid Prices for such Debt Instrument at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it from two or more market-makers (as selected by the Calculation Agent) in such Debt Instrument, such Bid Prices to be expressed as a percentage of the nominal amount of such Debt Instrument; multiplied by
    - (b) the relevant Component Weight; and
  - (ii) in the case of Debt Securities relating to a single Debt Instrument, an amount equal to the Bid Price for the Debt Instrument as determined by or on behalf of the Calculation Agent by reference to the Bid Price for such Debt Instrument appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or if such price is not available, the arithmetic mean of the Bid Prices for such Debt Instrument at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it from two or more market-makers (as selected by the Calculation Agent) in such Debt Instrument, such Bid Prices to be expressed as a percentage of the nominal amount of the Debt Instrument;
- (d) in respect of Currency Securities:
  - (i) in the case of Currency Securities relating to a Basket of Subject Currencies, the sum of the amounts calculated as follows in respect of each Subject Currency comprising the Basket:
    - (a) the spot rate of exchange appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of such Base Currency for which one unit of the Subject Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four

decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent); multiplied by

- (b) the relevant Component Weight; and
- (ii) in the case of Currency Securities relating to a single Subject Currency, an amount equal to the spot rate of exchange appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of the Base Currency for which one unit of the Subject Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent);
- (e) in respect of Commodity Securities, subject to Condition 13(D) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
  - (i) in respect of Commodity Securities relating to a Basket of Commodities, the sum of the amounts calculated as follows in respect of each Commodity comprising the Basket:
    - (a) (1) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price for the relevant Commodity or Specified Futures Contract as quoted on the relevant Exchange or (2) if Screen Price is specified as being applicable in the applicable Final Terms, the Specified Price for the relevant Commodity or Specified Futures Contract at the Valuation Time displayed on the Price Source, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date; multiplied by
    - (b) the relevant Component Weight; and
  - (ii) in respect of Commodity Securities relating to a single Commodity, an amount equal to (a) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price (or the Specified Price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the relevant Commodity or Specified Futures Contract as quoted on the relevant Exchange or (b) if Screen Price is specified as being applicable

in the applicable Final Terms, the Specified Price for the relevant Commodity or Specified Futures Contract at the Valuation Time displayed on the Price Source, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date;

(f) in respect of Fund Securities, subject to Condition 13(E) and as referred to in Valuation Date below or Averaging Date above, as the case may be:

(i) in respect of Fund Securities relating to a Basket of Funds, the sum of the amounts calculated as follows in respect of the Fund Interest in each Component Fund comprising the Basket:

(a) (1) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price for the relevant Fund Interest as quoted on the relevant Exchange or (2) if Screen Price is specified as being applicable in the applicable Final Terms, the Specified Price for the relevant Fund Interest at the Valuation Time displayed on the Price Source or (3) if NAV Price is specified as being applicable in the applicable Final Terms, the Net Asset Value of the relevant Fund Interest at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date; multiplied by

(b) the relevant Component Weight; and

(ii) in respect of Fund Securities relating to a single Fund, an amount equal to (1) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price for the relevant Fund Interest as quoted on the relevant Exchange or (2) if Screen Price is specified as being applicable in the applicable Final Terms, the Specified Price for the relevant Fund Interest at the Valuation Time displayed on the Price Source or (3) if NAV Price is specified as being applicable in the applicable Final Terms, the Net Asset Value of the relevant Fund Interest at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date;

(g) in respect of Index Securities relating to a Commodity Index, subject to Condition 13(A) and as referred to in Valuation Date below or Averaging Date above, as the case may be:

(i) in the case of Index Securities relating to a Basket of Indices, the sum of the amounts calculated as follows in respect of the Index comprising the Basket:

(a) an amount equal to the Relevant Price for such Index in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date; multiplied by

- (b) the relevant Component Weight; and
- (ii) in the case of Index Securities relating to a single Index, an amount equal to the Relevant Price of the Index as determined by the Calculation Agent in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date.
- (h) in respect of Index Securities in respect of which the Reference Item is a Proprietary Index (as defined in Condition 13(A)(3)), the level for such Proprietary Index as determined by the Calculation Agent at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date;

“**Share**” means the share specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components relating to a Basket Company thereof, subject to adjustment in accordance with Condition 13(B);

“**Specified Futures Contract**” means with respect to any Reference Item or Component of a Basket that is a Commodity, the contract for future delivery of a contract size in respect of the relevant Delivery Date relating to such Reference Item or Component of a Basket, or as specified in the Final Terms.

“**Specified Price**” means, in respect of a Reference Item or any Component of a Basket, as the case may be, any of the following prices (which must be a price reported in or by, or capable of being determined from information reported in or by, the relevant Price Source), as specified in the Final Terms (and, if applicable, as of the time so specified): (A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the spot price; (O) the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms or (P) any other price specified in the Final Terms.

“**Strike Level**” has the meaning given in the applicable Final Terms;

“**Valid Date**” means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in relation to the Actual Exercise Date or Exercise Date, as the case may be, does not or is not deemed to occur;

“**Valuation Date**” means (1) in the case of Warrants, the Actual Exercise Date of the relevant Warrant or (2) in the case of Certificates, the Exercise Date, or if that is not a Scheduled Trading Day the first Scheduled Trading Day thereafter unless, in the opinion of the Calculation Agent, such day is a Disrupted Day or (3) in the case of Securities, other than Credit Securities, in respect of which Barrier Event is specified as being applicable in the relevant Final Terms and a Barrier Observation Date is specified, the Barrier Observation Date, or if that is not a Scheduled Trading Day the first Scheduled Trading Day thereafter unless, in the opinion of the Calculation Agent, such day is a Disrupted Day or (4) in the case of Securities in respect of which Barrier Event is specified as being applicable in the relevant Final Terms and a Barrier Observation Period is specified, any Business Day that, where applicable, is also a Scheduled Trading Day during such Barrier Observation Period unless, in the

opinion of the Calculation Agent, such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) where the Securities relate to a Reference Item constituted by only one item, 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) that 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 Settlement Price:
  - (x) in the case of Index Securities, by determining the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with (subject to Condition 13(A)(2)) 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
  - (y) in the case of Share Securities, Debt Securities, Currency Securities, Commodity Securities or Fund Securities, in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that eighth Scheduled Trading Day; or
- (b) where the Securities relate to a Basket, the Valuation Date for each Component not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Component affected by the occurrence of a Disrupted Day (each an **Affected Item**) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, acting in good faith, determine the Settlement Price using:
  - (x) in the case of an Index, the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with (subject to Condition 13(A)(2)) 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); or
  - (y) in the case of a Share, Debt Instrument, rate of exchange Commodity Specified Futures Contract or Fund Interest, its good faith estimate of the value for the Affected

Item as of the Valuation Time on that eighth Scheduled Trading Day, and otherwise in accordance with the above provisions.

“**Valuation Time**” means (a) in respect of Securities other than Credit Securities and Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, in the case of Index Securities or Share Securities, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Index or Share 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; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or if no Valuation Time is specified (i) for the purposes of determining whether a Market Disruption Event has occurred (x) in respect of any Component Security, the Scheduled Closing Time on the relevant Exchange and (y) in respect of any options contracts or futures contracts on the Index, the close of trading on the relevant Related Exchange, and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

#### 4. **Physical Delivery Provisions**

##### (A) *Settlement Disruption*

If, following the exercise of Physical Delivery Securities, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the applicable Final Terms is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on any Settlement Date, then such Settlement Date for such Securities shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event, provided that the relevant Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Security by delivering the Entitlement using such other commercially reasonable manner as it may select and in such event the Settlement Date shall be such day as the relevant Issuer deems appropriate in connection with delivery of the Entitlement in such other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Settlement Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Settlement Date. For so long as delivery of the Entitlement is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the relevant Issuer may elect in its sole discretion to satisfy and discharge its obligations in respect of the relevant Security by payment to the relevant Securityholder of the Settlement Disruption Amount (as defined below) on the third Business Day following the date that notice of such election is given to the Securityholders in accordance with Condition 8. Payment of the Settlement Disruption Amount will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8. The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 that a Settlement Disruption Event has occurred provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Settlement Disruption Event. No Securityholder shall be entitled to any payment in respect of the

relevant Security in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the relevant Issuer.

For the purposes hereof:

“**Settlement Disruption Amount**” in respect of any relevant Security shall be the fair market value of such Security (taking into account, where the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non-affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Assets), less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the relevant Issuer in its sole and absolute discretion plus, if already paid, in the case of Warrants, the Exercise Price (or, where as provided above some Relevant Assets have been delivered and a pro rata portion thereof has been paid, such *pro rata* portion); and

“**Settlement Disruption Event**” means, in the opinion of the Calculation Agent, an event beyond the control of the relevant Issuer as a result of which the relevant Issuer cannot make delivery of the Relevant Asset(s) using the method specified in the applicable Final Terms.

(B) *Failure to Deliver due to Illiquidity*

If "Failure to Deliver due to Illiquidity" is specified as applicable in the applicable Final Terms and, following the exercise of Physical Delivery Securities, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets (the **Affected “Relevant Assets”**) comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a “**Failure to Deliver due to Illiquidity**”), then:

- (a) subject as provided elsewhere in these Conditions as completed by the applicable Final Terms, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Settlement Date in accordance with Condition 16(C) or Condition 19(C), as applicable, and, in the case of Warrants, the Calculation Agent shall determine the appropriate pro rata portion of the Exercise Price to be paid by the relevant Securityholder in respect of that partial settlement; and
- (b) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the relevant Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Security by payment to the relevant Securityholder of the Failure to Deliver Settlement Price (as defined below) on the fifth Business Day following the date that notice of such election is given to the Securityholders in accordance with Condition 8. Payment of the Failure to Deliver Settlement Price will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8. The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 that the provisions of this Condition 4(B) apply.

For the purposes hereof:

“**Failure to Deliver Settlement Price**” means, in respect of any relevant Security, the fair market value of such Security (taking into account, the Relevant Assets comprising the Entitlement which have been duly delivered as provided above), less the cost to the relevant Issuer and/or its Affiliates of

unwinding any underlying related hedging arrangements, all as determined by the relevant Issuer in its sole and absolute discretion plus, in the case of Warrants and if already paid, the Exercise Price (or, where as provided above some Relevant Assets have been delivered, and a *pro rata* portion thereof has been paid, such *pro rata* portion).

(C) *Issuer`s Option to Vary Settlement*

If the applicable Final Terms indicates that the relevant Issuer has an option to vary settlement in respect of the Securities, upon a valid exercise of Securities in accordance with these Conditions, the relevant Issuer may, at its sole and unfettered discretion, in respect of each such Security, elect not to pay the relevant Securityholders the Cash Settlement Amount or not to deliver or procure delivery of the Entitlement to the relevant Securityholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Securityholders, as the case may be. Notification of such election will be given to Securityholders no later than 10.00 a.m. (Luxembourg time) on the second Business Day following (a) the Actual Exercise Date for Warrants or (b) the Exercise Date for Certificates in accordance with Condition 8 and/or, at the option of the relevant Issuer, if applicable, in accordance with the contact details for a Securityholder specified in its Exercise Notice (in the case of a Warrant) or Physical Delivery Confirmation Notice (in the case of a Certificate).

(D) *Intervening Period*

If the Entitlement in respect of Physical Delivery Securities comprises Relevant Assets which are Shares or Debt Instruments or Fund Interests, for such period of time after the Settlement Date as any person other than the relevant Securityholder shall continue to be the legal owner of such Shares, Debt Instruments or Fund Interests (the “**Intervening Period**”), neither the relevant Issuer nor any other person shall (i) be under any obligation to deliver or procure delivery to the relevant Securityholder or any subsequent beneficial owner of such Shares, Debt Instruments or Fund Interests or any other person any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such Shares, Debt Instruments or Fund Interests or (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Shares, Debt Instruments or Fund Interests during the Intervening Period.

(E) *General*

None of the relevant Issuer, the Paying Agents and the Calculation Agent shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount or of any Entitlement.

The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

The Issuer shall be under no obligation to register or procure the registration of any Securityholder or any other person as the registered holder in respect of any Shares, Debt Instruments or Fund Interests comprised in any Entitlement in the register of, as the case may be (i) members of the relevant Share Company (as defined in Condition 13(B)) or Fund (if any) or (ii) bondholders of the relevant obligor.

5. **Illegality and force majeure**

If the relevant Issuer determines that the performance of its obligations under the Securities or that any arrangements made to hedge the relevant Issuer's obligations under the Securities have become (i) illegal in whole or in part for any reason, , or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state occurring after the Trade Date (as specified in the applicable Final Terms), impossible or impracticable the relevant Issuer may cancel the Securities by giving notice to Securityholders in accordance with Condition 8.

Should any one or more of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the relevant Issuer cancels the Securities pursuant to an illegality then the relevant Issuer will, if and to the extent permitted by applicable law, pay an amount to each Securityholder in respect of each Security or, in the case of Warrants, if Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such holder, which amount shall be equal to the fair market value of a Security or Unit, as the case may be, notwithstanding such illegality less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants and if already paid by or on behalf of a Securityholder, the Exercise Price, all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

If the relevant Issuer cancels the Securities by reason of a force majeure event or an act of state, then the relevant Issuer will, if and to the extent permitted by applicable law, pay an amount to each Securityholder in respect of each Security or, in the case of Warrants, if Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such holder, which amount shall be equal to the fair market value of a Security or Unit, as the case may be, taking into account the applicable force majeure event or act of state, as the case may be, less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants and if already paid by or on behalf of a Securityholder, the Exercise Price, all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

## **6. Purchases and Cancellation**

The Issuer may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation.

## **7. Agents, Determinations, Meetings of Securityholders and Modifications**

### **(A) Agents**

The Fiscal Agent, the Paying Agent and the Calculation Agent initially appointed by the relevant Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agent and the Calculation Agent act solely as agents of the relevant Issuer and the Guarantor (where applicable) and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer and the Guarantor (where applicable) reserve the right

at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other agents provided that the relevant Issuer will at all times maintain (i) a Fiscal Agent, (ii) a Calculation Agent where the Conditions so require one, (iii) the relevant Issuer and the Guarantor (where applicable) will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax, pursuant to European Council Directive 2003/48/EU, or any law or agreement implementing or complying with, or introduced in order to conform to, such Directive, (iv) Paying Agents having a specified office in at least two major European cities (including Luxembourg so long as the Securities are listed on the Irish Stock Exchange), and (v) such other agents as may be required by the rules of any other stock exchange on which the Securities may be listed.

Notice of any such change or any change of any specified office will promptly be given to the holders of Securities in accordance with Condition 8 (Notices).

(B) *Calculation Agent*

In relation to each issue of Securities, the Calculation Agent (whether it be the relevant Issuer or another entity) acts solely as agent of the relevant Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Securityholders. All calculations and determinations made in respect of the Securities by the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the relevant Issuer and the Securityholders.

The Calculation Agent may, with the consent of the relevant Issuer, delegate any of its obligations and functions to a third party as it deems appropriate.

(C) *Determinations by the relevant Issuer*

Any determination made by the relevant Issuer pursuant to these Conditions shall (save in the case of manifest error) be final, conclusive and binding on the relevant Issuer and the Securityholders.

(D) *Occurrence of certain events*

The Issuer or the Calculation Agent are under no obligation to monitor whether or not any of the applicable events described in Condition 13 has occurred in respect of any Security, Reference Item or Component, as the case may be. Neither the relevant Issuer nor the Calculation Agent shall be liable to any Securityholder for losses resulting from (i) any determination that any such event has occurred or has not occurred, (ii) the timing relating to the determination that any such event Event has occurred or has not occurred or (iii) any actions taken or not taken by the relevant Issuer and/or the Calculation Agent in accordance with these Conditions as a result of such determination that any such event Event has occurred or has not occurred.

(E) *Meetings of Securityholders and Modifications*

The Issue and Paying Agency Agreement contains provisions for convening meetings of holders of Securities to consider any matter affecting their interest, including modification by

Extraordinary Resolution of the Securities (including these Conditions insofar as the same may apply to such Securities). An Extraordinary Resolution duly passed at any such meeting shall be binding on all the holders of Securities, whether present or not, except that any Extraordinary Resolution proposed, *inter alia*, (i) to modify the date of exercise of the Securities, (ii) to reduce or cancel the Cash Settlement Amount or the Entitlement in respect of the Securities, (iii) to alter the currency of payment of the Securities other than pursuant to Condition 14, will only be binding if passed at a meeting of the holders of Securities (or at any adjournment thereof) at which a special quorum (provided for in the Issue and Paying Agency Agreement) is present.

The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Issue and Paying Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the holders of Securities.

The Issuer and the Guarantor may, without the prior consent of the holders of the Securities correct (i) any manifest error in the Terms and Conditions of the Securities and/or in the Final Terms, (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Securities and/or in the Final Terms or (iii) any inconsistency in the Terms and Conditions of the Securities and/or in the Final Terms between the Terms and Conditions of the Securities and/or the Final Terms and any other documents prepared in connection with the issue and/or offer of a Series of Securities (provided such correction is not materially prejudicial to the holders of the relevant Series of Securities). Any such correction shall be binding on the holders of the relevant Securities and the relevant Issuer and the Guarantor (if applicable) shall cause such correction to be notified to the holders of the Securities as soon as practicable thereafter pursuant to Condition 8 (*Notices*).

In addition, the relevant Issuer and the Guarantor may modify from time to time in the relevant Final Terms the time references to certain Business Days contained in these Conditions.

## 8. Notices

All notices to Securityholders shall be valid if (i) until such time as any Definitive Securities are issued, the notice is delivered to the relevant Clearing System(s), for communication by them to the Securityholders; (ii) if and so long as the Securities are admitted to trading on the Irish Stock Exchange's regulated market and listed on the Official List of the Irish Stock Exchange, the notice is published in accordance with the rules and regulations of the Irish Stock Exchange (which shall include publication in a leading newspaper having general circulation in Ireland or on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie))) and (iii) if and so long as the Securities are admitted to trading on the Italian Stock Exchange, the notice is published in accordance with the rules and regulations of the Italian Stock Exchange (which shall include publication on the website of the Italian Stock Exchange ([www.borsaitaliana.it](http://www.borsaitaliana.it))). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other stock exchange (or any other relevant authority) on which the Securities are for the time being listed or by which they have been admitted to trading. If Definitive Securities are issued, notices to Securityholders will be deemed validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that

such publication will be made in the Financial Times. Any such notice shall be deemed to have been given on the date of delivery to the relevant Clearing System(s) or the date of publication, as the case may be, or, if published more than once, on the date of the first publication.

9. **Expenses and Taxation**

- (A) A holder of Securities must pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, sale commissions, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising from the exercise and settlement of such Securities and/or the delivery or transfer of the Entitlement (as applicable) pursuant to the terms of such Securities (“**Expenses**”) relating to such Securities as provided above.
- (B) The Issuer shall not be liable for or otherwise obliged to pay, and the relevant Securityholder shall be liable for and/or pay, any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Security by any person. All payments made by the relevant 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 and no additional amount shall be payable to any relevant Securityholder in respect of any such tax, duty, withholding or other payment.

10. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of Securityholders to create and issue further Securities so as to be consolidated with and form a single series with the outstanding Securities.

11. **Substitution of the relevant Issuer**

(A) *Substitution of Issuer*

- (a) The Issuer and, in case of Securities issued by Mediobanca International, the Guarantor may at any time, without the consent of the holders of Securities, substitute Mediobanca in place of Mediobanca International or Mediobanca International in place of Mediobanca (each a “**Substitute**”) upon notice by the relevant Issuer, the Guarantor (in case of Securities issued by Mediobanca International) and the Substitute to be given in accordance with Condition 8 (*Notices*), provided that;
- (i) no payment in respect of the Securities or the Deed of Guarantee (as the case may be) is at the relevant time overdue;
- (ii) the Substitute shall, by means of a deed poll in the form scheduled to the Programme Manual as Schedule 10 (the “**Deed Poll**”), agree to indemnify each holder of Securities against any incremental tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Securities or the Deed of Covenant and which would not have been so imposed or otherwise suffered by

any holder of Securities had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;

- (iii) in respect of Securities issued by Mediobanca International, where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Securities and Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll, in accordance with the terms thereof;
  - (iv) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Securities and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and, where applicable, of the Guarantor have been taken, fulfilled and done and are in full force and effect;
  - (v) the Substitute shall have become party to the Issue and Paying Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
  - (vi) legal opinions shall have been delivered to the Fiscal Agent from lawyers of recognised standing in each jurisdiction referred to in (ii) above, in Italy and in England as to the fulfilment of the requirements of this Condition 11 (*Substitution of the relevant Issuer*) and the other matters specified in the Deed Poll and that the Securities are legal, valid and binding obligations of the Substitute;
  - (vii) each stock exchange on which the Securities are listed shall have confirmed that, following the proposed substitution of the Substitute, the Securities will continue to be listed on such stock exchange;
  - (viii) if applicable, the Substitute has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Securities.
- (b) Upon the execution of the Deed Poll and the delivery of the legal opinions, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the relevant Issuer under the Securities and the Issue and Paying Agency Agreement with the same effect as if the Substitute had been named as the relevant Issuer herein, and the relevant Issuer shall be released from its obligations under the Securities and under the Issue and Paying Agency Agreement.
- (c) After a substitution pursuant to Condition 11(A)(a), the Substitute may, without the consent of any holder, effect a further substitution. All the provisions specified in Conditions 11(A)(a) and 11(A)(b) shall apply *mutatis mutandis*, and references in these Conditions to the relevant Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute.
- (d) After a substitution pursuant to Condition 11(A)(a) or 11(A)(c) any Substitute may, without the consent of any holder, reverse the substitution, *mutatis mutandis*.

- (e) The Deed Poll and all documents relating to the substitution shall be delivered to, and kept by, the Fiscal Agent. Copies of such documents will be available free of charge at the specified office of the Paying Agent.

(B) *Modification of Conditions as a result of Substitution of Issuer*

After any substitution or change of branch pursuant to Condition 11(A) above, the Conditions will be modified in all consequential respects including, but not limited to, replacement of references to the Republic of Italy in the 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 Securityholders in accordance with Condition 8.

12. **Governing Law and Jurisdiction**

- (a) *Governing Law*: If it is specified in the Final Terms that English law is applicable to the Securities, the Securities and any contractual or non-contractual obligations arising from or connected with the Securities are governed by, and shall be construed in accordance with, English law. If it is specified in the Final Terms that Italian law is applicable to the Securities, the Securities are governed by, and shall be construed in accordance with, Italian law.
- (b) *English courts*: If it is specified in the Final Terms that English law is applicable to the Securities, subject to Condition 12(d) (*Rights of the Securityholders to take proceeding outside England*), the courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with the Securities, whether arising out of or in connection with contractual or non-contractual obligations. If it is specified in the Final Terms that Italian law is applicable to the Securities, the Courts of Milan shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with these Securities.
- (c) *Appropriate forum*: If it is specified in the Final Terms that English law is applicable to the Securities, each of the relevant Issuer and the Guarantor (where applicable) agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.
- (d) *Rights of the Securityholders to take proceeding outside England*: If it is specified in the Final Terms that English law is applicable to the Securities, Condition 12(b) (*English courts*) is for the benefit of the Securityholders only. As a result, nothing in this Condition 12 (*Governing Law and Jurisdiction*) prevents any Securityholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Securityholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of notices/documents*: If it is specified in the Final Terms that English law is applicable to the Securities, each of the relevant Issuer and the Guarantor (where applicable) agree that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on them by being delivered to Mediobanca – London Branch 33 Grosvenor Place,

London SW1X 7HY United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the relevant Issuer and the Guarantor (where applicable), the relevant Issuer and the Guarantor (where applicable) shall, on the written demand of any Securityholder addressed and delivered to the relevant Issuer and to the Guarantor (where applicable) or to the specified office of the Fiscal Agent appoint a further person in England to accept service of process on their behalf and, failing such appointment within 15 days, any Securityholder shall be entitled to appoint such a person by written notice addressed to the relevant Issuer and the Guarantor (where applicable) and delivered to the relevant Issuer and the Guarantor (where applicable) or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Securityholder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

- (f) *Non-applicable Conditions if Italian law applies to the Securities:* If it is specified in the Final Terms that Italian law is applicable to the Securities, Conditions 12(c) (*Appropriate forum*), 12(d) (*Rights of the Securityholders to take proceedings outside England*), 14(e) (*Service of notices/documents*) and 15 (*Contracts (Rights of Third Parties) Act 1999*) shall not apply.

**13. Terms for Index Securities, Share Securities, Debt Securities, Commodity Securities and Fund Securities**

(A) ***Index Securities***

For the purposes of this Condition 13(A):

“**Indices**” and “**Index**” mean, subject to adjustment in accordance with this Condition 13(A), the indices (including rate of inflation) or index specified in the applicable Final Terms and related expressions shall be construed accordingly; and

“**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.

(1) **Market Disruption**

“**Market Disruption Event**” means, in relation to Securities relating to a single Index or Basket of Indices other than Securities relating to a Commodity Index, in respect of an Index:

- (a) in respect of an Index other than a Designated Multi-Exchange Index:
- (i) the occurrence or existence at any time during the one hour period that ends at the Valuation Time:
- (A) of 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:

- (I) on any relevant Exchange(s) in securities/commodities that comprise 20 per cent. or more of the level of the relevant Index; or
  - (II) in futures or options contracts relating to the relevant Index on any relevant Related Exchange;
- (B) of any event (other than an event described in (ii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) on any relevant Exchange(s) to effect transactions in, or obtain market values for, 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
- (ii) the closure on any Exchange Business Day of any relevant Exchange(s) in 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 (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; or
- (iii) the occurrence or existence, in respect of any Component Security, of:
- (A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
  - (B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
  - (C) an Early Closure in respect of such Component Security; and
  - (D) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, comprises 20 per cent. or more of the level of the Index; or
- (b) the occurrence or existence, in respect of futures or options contracts relating to the Index, of:
- (A) a Trading Disruption, (B) an Exchange Disruption which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation

Time in respect of the Related Exchange or (C) an Early Closure, in each case in respect of such futures or options contracts.

As used above:

“**Trading Disruption**” means 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 (i) relating to any Component Security on the Exchange in respect of such Component Security or (ii) in futures or options contracts relating to the Index on the Related Exchange.

“**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (i) any Component Security on the Exchange in respect of such Component Security or (ii) futures or options contracts relating to the Index on the Related Exchange.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component Security prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

For the purposes of determining whether a Market Disruption Event in respect of an Index or a Component Security exists at any time, if a Market Disruption Event occurs in respect of a security/commodity included in the Index or such Component Security at any time, then the relevant percentage contribution of that security/commodity or Component Security, as the case may be, 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 or Component Security, as the case may be, and (ii) the overall level of the Index, in each case either (a) except where the Index is a Designated Multi-Exchange Index, immediately before the occurrence of such Market Disruption Event or (b) where that Index is a Designated Multi-Exchange Index, using the official opening weightings as published by the Index Sponsor as part of the market "opening data".

The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date or a Valuation Date provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Disrupted Day.

## (2) **Adjustments to an Index and Commodity Index Disruption Events**

### (a) **Successor Index Sponsor Calculates and Reports an Index**

If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (the “**Successor Index Sponsor**”) acceptable to the relevant Issuer, or (ii) 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.

(b) Modification and Cessation of Calculation of an Index

*The following paragraph applies in respect of an Index which is not a Commodity Index.*

If (i) on or prior to a Valuation Date or an Averaging 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 a relevant Index and no Successor Index exists (an “**Index Cancellation**”), or (ii) on a Valuation Date or an Averaging 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 the relevant Issuer may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Securities and, if so, to calculate the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Valuation Date or that Averaging Date, as the case may be, 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
- (ii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the relevant Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such holder which amount shall be the fair market value of a Security or Unit, as the case may be, taking into account the Index Adjustment Event, less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

*The following paragraph applies in respect of an Index which is a Commodity Index*

If on or prior to any Valuation Date or an Averaging Date (i) the relevant Index Sponsor makes 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 commodities and weightings and other routine events), or (ii) the Index Sponsor permanently cancels a relevant Index or (iii) the Index Sponsor fails to calculate and announce a relevant Index and there is no Successor Index Sponsor or Successor Index, then the Calculation Agent, acting in good faith and in a commercially reasonable manner, may at its option (in the case of (i)) and shall (in case of (ii) and (iii)) (such events (i), (ii) and (iii) to be collectively referred to as Index Adjustment Events) calculate the relevant Settlement Price using in lieu of the published level for that Index, the level for that Index as at the relevant determination 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 relevant Index Adjustment Event, but using only those futures contracts that comprised that Index immediately prior to the relevant Index Adjustment Event (other than those futures contracts that have ceased to be listed on any relevant exchange).

(c) Commodity Index Disruption Events

*The following paragraph applies in respect of an Index which is a Commodity Index.*

If, in the opinion of the Calculation Agent, a Commodity Index Disruption Event has occurred and is continuing on any Valuation Date or Averaging Date (or, if different, the day on which prices for the Valuation Date or that Averaging Date, as the case may be, would, in the ordinary course, be published by the Price Source), the Relevant Price for that Valuation Date or Averaging Date, as the case may be, will be determined by the Calculation Agent using:

- (i) with respect to each futures contract included in the Index which is not affected by the Commodity Index Disruption Event, the closing prices of each such contract on the applicable determination date; and
- (ii) with respect to each futures contract included in the Index which is affected by the Commodity Index Disruption Event, the closing prices of each such contract on the first day following the applicable determination date on which no Commodity Index Disruption Event is occurring with respect to such contract.

Subject as provided below, the Calculation Agent shall determine the Relevant Price by reference to the closing prices determined in (i) and (ii) above using the then-current method for calculating the Index.

Where a Commodity Index Disruption Event with respect to one or more futures contracts included in the Index has occurred on an applicable determination date and continues to exist as of the Commodity Index Cut-Off Date for such applicable determination date, the Calculation Agent shall determine the Relevant Price on such Commodity Index Cut-Off Date. In calculating the Relevant Price as set out herein, the Calculation Agent shall use the formula for calculating the Index last in effect prior to the Commodity Index Disruption Event.

As used above:

**“Commodity Index Cut-Off Date”** means, in respect of an applicable determination date:

- (i) in respect of Certificates and European Style Warrants, the second Business Day immediately preceding the Settlement Date;
- (ii) in respect of American Style Warrants, the fifth Trading Day immediately succeeding such applicable determination date; or
- (iii) as specified in the applicable Final Terms.

**“Commodity Index Disruption Event“** means:

- (i) a temporary or permanent failure by the applicable exchange or other price source to announce or publish (x) the final settlement price for the Index or (y) the closing price for any futures contract included in the Index;
- (ii) a material limitation, suspension or disruption of trading in one or more of the futures contracts included in the Index which results in a failure by the exchange on which each applicable futures contract is traded to report a closing price for such contract on the day on which such event occurs or any succeeding day on which it continues; or
- (iii) the closing price for any futures contract included in the Index is a limit price, which means that the closing price for such contract for a day has increased or decreased from the previous day's closing price by the maximum amount permitted under applicable exchange rules.

**“Trading Day”** shall mean a day when the exchanges for all futures contracts included in the relevant Index are scheduled to be open for trading.

- (d) Notice

The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, notify a Securityholder of any determination made by it pursuant to paragraph (b) above, as at the date of receipt of such request. The Issuer shall make available for inspection by Securityholders during normal office hours copies of any such determinations.

**(3) Adjustments and disruption events relating to a Proprietary Index**

If a Potential Redemption Event occurs, each Security will be redeemed on the Early Redemption Date at its Early Redemption Amount.

If a Potential Substitution Event occurs and the Index Calculation Agent changes the Basket composition by (a) adding a Component ETF to the Component ETFs which are then part of the Basket; or (b) removing a Component ETF from the Basket; or (c) substituting the relevant Component ETF with a Substitute Component ETF, in such circumstances, the Calculation Agent may, acting in good faith and in a commercially reasonable manner, make all such amendments and adjustments to the terms of the Securities as deemed appropriate in good faith by the Calculation Agent in order to preserve the economic terms of the Securities.

If an Index Adjustment Event occurs, notwithstanding Condition 13(A)(2)(b) (*Adjustments to an Index and Commodity Index Disruption Events*) the relevant Issuer may require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the

Securities and, if so, to calculate the relevant Cash Settlement Amount and any Remuneration Amount using, in lieu of a published level for the relevant Proprietary Index, the Index Level as at the relevant time, as determined by the Index Calculation Agent in accordance with the formula for and method of calculating the Index Level last in effect prior to the change, failure or cancellation, but using only those securities/commodities that comprised the relevant Proprietary Index immediately prior to the relevant Index Adjustment Event.

If a Correction Event occurs, the Calculation Agent may make all such amendments and adjustments to the terms of the Securities as deemed appropriate in good faith by the Calculation Agent in order to preserve the economic terms of the Securities.

The Securityholders will be informed of the occurrence of any Extraordinary Event, as well as of the amendments and adjustments (if any) to the terms of the Securities, in accordance with Condition 8 (*Notices*). If the Securities are to be (a) redeemed following the occurrence of a Potential Redemption Event or (b) cancelled following the occurrence of an Index Adjustment Event, payments to Securityholders will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8 (*Notices*).

In the event that the Index Level and the composition of the relevant Proprietary Index is not published on at least one of the ETF Index Sources for 2 consecutive Exchange Business Days at any time after the Issue Date up to, and including, the Settlement Date, the Calculation Agent shall on each Exchange Business Day notify Securityholders of the Index Level and the composition of the relevant Proprietary Index in accordance with Condition 8 (*Notices*) until such time as the Index Level and the composition of the relevant Proprietary Index can be published on each Exchange Business Day on at least one of the ETF Index Sources.

In the event that a change in the Eligibility Criteria occurs, the Calculation Agent shall promptly notify the Securityholders not later than 5 Business Days after the relevant Rebalance Date in accordance with Condition 8 (*Notices*).

For these purposes, the following terms will have the following meanings:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component ETF.

“**Component ETF**” means an ETF which comprises, as the case may be, part of the relevant Proprietary Index from time to time.

“**Correction Event**” means any Index Level published with respect to the relevant Proprietary Index and which is utilised for any calculation or determination made by the Calculation Agent is subsequently corrected by the Index Calculation Agent.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

**“Early Redemption Date”** means the day that is 3 Business Days following the occurrence of the Potential Redemption Event.

**“Early Redemption Amount”** means with respect to a Security, an amount which the Calculation Agent will determine and calculate in good faith and in a commercially reasonable manner to be the fair market value of such Security, taking into account the Potential Redemption Event less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements).

**“Eligibility Criteria”** means the eligibility criteria determined by the index calculation agent in relation to the relevant Proprietary Index.

**“ETF”** means an exchange traded fund.

**“ETF Basket”** means the basket constituted by the Component ETFs relating to the relevant Proprietary Index.

**“ETF Index Source”** means the page or service on which the level of the relevant Proprietary Index is published.

**“ETF Manager Conservative Bond Index”** means the ETF Manager Conservative Bond Index established by the Index Sponsor on 12 August 2011.

**“ETF Manager Dynamic Bond Index”** means the ETF Manager Dynamic Bond Index established by the Index Sponsor on 12 August 2011.

**“ETF Manager European Equity Index”** means the ETF Manager European Equity Index established by the Index Sponsor on 12 August 2011.

**“ETF Manager World Equity Index”** means the ETF Manager World Equity Index established by the Index Sponsor on 12 August 2011 .

**“ETF Market Disruption Event”** means the European ETF market is closed for any reason for a period of 30 consecutive calendar days or more.

**“ETF Force Majeure Event”** means any circumstances not within the reasonable control of the party concerned including, without limitation:

- (a) any strike, lockout or other industrial action, or any shortage of or difficulty in obtaining labour, fuel, raw materials or components;
- (b) any destruction, temporary or permanent breakdown, malfunction or damage of or to any premises, plant, equipment (including computer systems) or materials;
- (c) any breach of contract, default or insolvency by or of any third party (including an agent or sub-contractor), other than a company in the same group as the party affected by the force majeure, or an employee or officer of that party or company;

- (d) any action taken by a governmental or public authority of any kind, including, without limitation, not granting a consent, exemption, approval or clearance or imposing an embargo, export or import restriction, rationing, quota or other restriction or prohibition;
- (e) any civil commotion or disorder, riot, invasion, war, threat of or preparation for war;
- (f) any accident, fire, or explosion, (other than in each case, one caused by a breach of contract by or assistance of the party concerned) storm, flood, earthquake, subsidence, epidemic or other natural physical disaster.

“**Extraordinary Event**” means a Potential Substitution Event, a Potential Redemption Event, a Successor Event, an Index Adjustment Event or a Correction Event.

“**Index Adjustment Event**” means an event as described in Condition 13(A)(2)(b) (*Adjustments to an Index and Commodity Index Disruption Events*).

“**Index Level**” means the level of the relevant Proprietary Index.

“**Proprietary Index**” means each of the ETF Manager Dynamic Bond Index, the ETF Manager Conservative Bond Index, the ETF Manager World Equity Index and the ETF Manager European Equity Index, as the case may be.

“**Potential Redemption Event**” means, as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner, the relevant Issuer and/or any of its Affiliates or agents acting on its behalf is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the relevant Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) (including, but not limited to, the occurrence of a ETF Force Majeure Event, ETF Market Disruption Event, Trading Disruption or an Early Closure).

“**Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component ETF.

“**Rebalance Date**” means a rebalancing date relating to the relevant Proprietary Index.

“**Rebalancing Period**” means a rebalancing period relating to the relevant Proprietary Index.

“**Substitute Component ETF**” means a substitute component ETF relating to the relevant Proprietary Index, as the case may be.

“**Successor Event**” means an event as described in Condition 13(A)(2)(a) (*Adjustments to an Index and Commodity Index Disruption Events*).

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits

permitted by the Exchange or otherwise relating to any Component ETF on the Exchange in respect of such Component ETF.

(B) ***Share Securities***

For the purposes of this Condition 13(B):

“**Basket Company**” means a company whose shares are included in the Basket of Shares and “**Basket Companies**” means all such companies; and

“**Share Company**” means, in the case of an issue of Securities relating to a single share, the company that has issued such share.

(1) **Market Disruption**

Market Disruption Event means, in relation to Securities relating to a single Share or Basket of Shares, in respect of a Share:

(a) the occurrence or existence at any time during the one hour period that ends at the Valuation Time for such Share:

(i) of 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 any Related Exchange or otherwise:

(A) relating to the Share on the Exchange; or

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

(ii) of 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 Share on the Exchange or (B) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Share 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.

The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 of the occurrence of a Disrupted Day on any day that, but for the

occurrence of a Disrupted Day, would have been an Averaging Date or a Valuation Date provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Disrupted Day.

(2) **Potential Adjustment Events, Merger Event, Tender Offer, De-listing, Nationalisation and Insolvency**

- (a) **“Potential Adjustment Event”** means any of the following:
- (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
  - (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights, certificates or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;
  - (iii) an extraordinary dividend as determined by the Calculation Agent;
  - (iv) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;
  - (v) a repurchase by the Basket Company or any of its subsidiaries or Share Company or any of its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
  - (vi) in respect of a Basket Company or Share Company, as the case may be, 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 Basket Company or Share Company, as the case may be, 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; or
  - (vii) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

Following the declaration by the Basket Company or Share Company, as the case may be, 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 or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these 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 Share) 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 such exchange(s) or quotation system(s) as the relevant Issuer in its sole discretion shall select (the “**Options Exchange**”) to options on the Shares traded on that Options Exchange.

Upon the making of any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8, stating the adjustment to any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such adjustment.

- (b) “**De-listing**” means, in respect of any relevant Shares, the Exchange announces that pursuant to the rules of such Exchange, such Shares 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 a member state of the European Union).

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them.

“**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 Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation,

amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares 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 Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before (a) in the case of Cash Settled Securities, the last occurring Valuation Date or where Averaging is specified in the applicable Final Terms, the final Averaging Date in respect of the relevant Security or (b) in the case of Physical Delivery Securities, the relevant Settlement Date.

“**Nationalisation**” means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**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 Basket Company or Share Company, as the case may be, 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.

If (x) a Merger Event, De-listing, Nationalisation or Insolvency and/or (y) Tender Offer is specified as applying in the applicable Final Terms, a Tender Offer occurs in relation to a Share, the relevant Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (iii) below:

- (i) 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 any Relevant Assets and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Merger Event, Tender Offer,

De-listing, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may, in the case of adjustments following a Merger Event or a Tender Offer, include (without limitation) adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or the Securities. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency made by any Options Exchange to options on the Shares traded on that Options Exchange; or

- (ii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the relevant Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of a Security or a Unit, as the case may be, taking into account the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants, the Exercise Price (if already paid), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8; or
  - (iii) following such adjustment to the settlement terms of options on the Shares traded on the Options Exchange, require the Calculation Agent to make a corresponding adjustment to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms, which adjustment will be effective as of the date reasonably determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded.
- (c) Upon the occurrence of a Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, the relevant Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 stating the occurrence of the 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 provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be.

(C) ***Debt Instruments***

(1) **Market Disruption**

“**Market Disruption Event**” shall mean the suspension of or limitation imposed on trading either on any exchange on which the Debt Instruments or any of them (in the case of a Basket of Debt Instruments) are traded or on any exchange on which options contracts or futures contracts with respect to the Debt Instruments or any of them (in the case of a Basket of Debt Instruments) are traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

The Issuer shall give notice as soon as reasonably practicable to the Securityholders in accordance with Condition 8 that a Market Disruption Event has occurred.

(2) **Replacement Events**

In the event that “Replacement of Debt Instruments” is specified as being applicable in the applicable Final Terms, if at any time the Calculation Agent determines that a Replacement Event has occurred or is continuing with respect to a Debt Instrument (the “**Original Debt Instrument**”), the Calculation Agent may:

- (i) in respect of Securities relating to a single Debt Instrument, as soon as is practicable after such determination, replace the Original Debt Instrument for the purposes of the Securities with an appropriate alternative debt instrument (a “**Replacement Debt Instrument**”), as determined by the Calculation Agent and following any such replacement, the Calculation Agent may make any adjustments to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement; or
- (ii) in respect of Securities relating to a Basket of Debt Instruments, remove the Original Debt Instrument from the Basket with effect as soon as reasonably practicable and, as soon as reasonably practicable following the removal of the Original Debt Instrument, either:
  - (a) substitute the Original Debt Instrument with a Replacement Debt Instrument having the same Component Weight as the Original Debt Instrument or more than one Replacement Debt Instruments having individual Component Weights selected by the Calculation Agent and an aggregate Component Weight equal to the Original Debt Instrument; or

- (b) if no Replacement Debt Instrument is available or if a Replacement Event has occurred in relation to each of the Replacement Funds, adjust the Component Weights of the remaining Debt Instruments in the Basket;

and following any such replacement or weight adjustment, the Calculation Agent may make any adjustments to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement or weight adjustment; or

- (iii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the relevant Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of a Security or a Unit, as the case may be, taking into account the Replacement Event, less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants, the Exercise Price (if already paid), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8; or
- (iv) determine that the effect of the Replacement Event can be compensated by an adjustment to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms and following any such determination, the Calculation Agent may make any such adjustments as it deems appropriate to reflect such compensation.

For these purposes, “**Replacement Event**” means:

- (A) a Debt Instrument matures;
- (B) a Debt Instrument becomes repayable (otherwise than at the option of the relevant obligor thereof in accordance with the terms of such Debt Instrument) or becomes capable of being declared due and payable prior to its stated date of maturity for whatever reason;
- (C) if a Debt Instrument becomes repayable at the option of the obligor thereof in accordance with the terms of such Debt Instrument,

in each case prior to the Exercise Date or first day of the Exercise Period, as the case may be.

(D) *Commodity Securities*

**Market Disruption**

“**Market Disruption Event**” shall mean the occurrence, with respect to the Commodity or any Component, of a Price Source Disruption, a Trading Disruption, a Disappearance of

Commodity Reference Price, a Tax Disruption, a Material Change in Content, a Material Change in Formula or an Early Closure if so specified in the Final Terms.

As used above:

**“Price Source Disruption”** means, in respect of the Commodity or Component, (A) the failure of the relevant Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price of such Commodity) for the relevant Commodity Reference Price or (B) the temporary or permanent discontinuance or unavailability of the Price Source.

**“Trading Disruption”** means, in respect of the Commodity or Component, the material suspension of, or the material limitation imposed on, trading in the relevant Specified Futures Contract or such Commodity or Component on the relevant Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material.

**“Disappearance of Commodity Reference Price”** means, in respect of the Commodity or Component, (A) the permanent discontinuation of trading in the Specified Futures Contract on the relevant Exchange; (B) the disappearance of, or of trading in, the Commodity; or (C) the disappearance or permanent discontinuance or unavailability of the relevant Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Specified Futures Contract or Commodity or Component.

**“Tax Disruption”** means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to the relevant Commodity or Component or Specified Futures Contract (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the Commodity Reference Price on the day that would otherwise be an Averaging Date or Valuation Date, as applicable, from what it would have been without that imposition, change or removal.

**“Material Change in Content”** means the occurrence since the Issue Date of a material change in the content, composition or constitution of the relevant Commodity or Component or Specified Futures Contract.

**“Material Change in Formula”** means the occurrence since the Issue Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price.

**“Early Closure”** means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of the relevant Commodity or Component or Specified Futures Contract prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

The Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 that a Market Disruption Event has occurred.

(E) *Fund Securities*

(1) **Market Disruption**

“**Market Disruption Event**” means, in respect of a Fund Business Day, the occurrence or continuation, as determined by the Calculation Agent, of:

- (a) a failure or postponement that is, in the determination of the Calculation Agent, material by a Fund Manager to publish the Net Asset Value in respect of a Business Day (provided that such Business Day is a day for which such Net Asset Value is scheduled to be published); or
- (b) the inability of a holder of Fund Interests to subscribe for, or redeem, Fund Interests for value on a Business Day (provided that such Business Day is a day for which subscriptions or redemptions are scheduled to be permissible (in accordance with the Fund Rules)); or
- (c) a postponement or failure of a Fund to make any payment in respect of the redemption of Fund Interests on any day for which such payment is scheduled to be made (in accordance with the Fund Rules).

(2) **Corporate Events**

“**Corporate Event**” means a declaration by or on behalf of a Fund of:

- (i) a subdivision, consolidation, reclassification or distribution of the relevant Fund Interests which has a diluting or concentrative effect on the theoretical value of such Fund Interests;
- (ii) a (1) dividend (including cash, and whether ordinary or extraordinary), (2) distribution or (3) issue of the relevant Fund Interests, capital, securities, rights or other assets or interests to existing holders of the relevant Fund Interests that has or is likely to have an effect on the value of such Fund Interest; or
- (iii) a call by a Fund in respect of the relevant Fund Interests that are not fully paid;

If the Calculation Agent determines that, in respect of a Fund, a Corporate Event has occurred or is continuing, the Calculation Agent will (a) make the corresponding adjustment(s), if any, to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the dilutive or concentrative effect on the value of Fund Interests and (b) determine the effective date(s) of the adjustment(s). The Issuer shall give notice of such adjustment to Securityholders in accordance with Condition 8. For the avoidance of doubt, if Corporate Event is also specified as a Substitution Event in the Final Terms, the provisions of Condition 13(E)(3) shall prevail.

(3) **Substitution Events**

If at any time the Calculation Agent determines that an applicable Substitution Event has occurred or is continuing with respect to a Fund (the “**Original Fund**”), the Calculation Agent may:

- (i) waive such Substitution Event; or
- (ii) in respect of Securities relating to a single Fund, as soon as is practicable after such determination, replace the Original Fund for the purposes of the Securities with an appropriate alternative fund (a “**Replacement Fund**”), as determined by the Calculation Agent and following any such replacement, the Calculation Agent may make any adjustments to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement; or
- (iii) in respect of Securities relating to a Basket of Funds, remove the Original Fund from the Basket with effect as soon as reasonably practicable and, as soon as reasonably practicable following the removal of the Original Fund, either:
  - (a) substitute the Original Fund with a Replacement Fund having the same Component Weight as the Original Fund or more than one Replacement Fund having individual Component Weights selected by the Calculation Agent and an aggregate Component Weight equal to the Original Fund; or
  - (b) if no Replacement Fund is available or if a Substitution Event has occurred in relation to each of the Replacement Funds, adjust the Component Weights of the remaining Funds in the Basket;

and following any such replacement or weight adjustment, the Calculation Agent may make any adjustments to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement or weight adjustment; or

- (iv) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the relevant Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of a Security or a Unit, as the case may be, taking into account the Substitution Event, less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants, the Exercise Price (if already paid), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8; or

- (v) determine that the effect of the Substitution Event can be compensated by an adjustment to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms and following any such determination, the Calculation Agent may make any such adjustments as it deems appropriate to reflect such compensation.

A Substitution Event is applicable in respect of the Securities if it is so specified in the Final Terms, where such term so specified shall have the meaning provided immediately below. If no Substitution Event is specified, then no Substitution Event will be deemed to have been specified. If one or more Substitution Events are specified, only the Substitution Events specified will apply. For these purposes:

**“Audit Event”** means the making of any reservation in an audit report of a Fund by the auditor of that Fund that is, in the determination of the Calculation Agent, material;

**“Charging Change”** means the increase of, or introduction by a Fund of (a) a bid/offer spread or (b) charges for subscription or redemption orders made by an Investing Entity, for Fund Interests in addition to any such spread or charge specified in the Fund Rules as applicable on the Issue Date;

**“Cross-contamination”** means any cross-contamination or other failure by a Fund to effectively segregate assets between the different classes of Fund Interests and different classes, series or compartments of that Fund;

**“Currency Change”** means the currency in which (a) Fund Interests are denominated or (b) the net asset value of a Fund is calculated, is no longer the currency specified in the Fund Rules;

**“Distribution Inkind”** means a redemption of Fund Interests in the form of a distribution of non-cash assets;

**“Fund Accounting Event”** means any changes in the accounting principles or policies applicable to a Fund and/or its Fund Manager and/or any Investing Entity which might reasonably be expected to have an economic, legal or regulatory impact for the relevant Issuer;

**“Fund Constitution Breach”** means any failure to observe any of the objects, constitution, conditions, nature, or Fund Rules of a Fund that is, in the determination of the Calculation Agent, material;

**“Fund Constitution Change”** means any modification of the objects, constitution, conditions, nature, or Fund Rules of a Fund that is, in the determination of the Calculation Agent, material;

**“Fund Regulatory Event”** means any changes in the regulatory treatment applicable to a Fund and/or its Fund Manager and/or any Investing Entity which might reasonably be expected to have an economic, legal or regulatory impact for the relevant Issuer;

**“Fund Rules Breach”** means any failure of the Fund Manager of a Fund to comply with any terms set out in the Fund Rules of that Fund;

**“Fund Strategy Breach”** means any failure to observe any of the investment objectives, policies or strategy of a Fund that is, in the determination of the Calculation Agent, material;

**“Fund Strategy Change”** means any modification of the investment objectives, policies or strategy of a Fund that is, in the determination of the Calculation Agent, material;

**“Fund Tax Event”** means any changes in the tax treatment applicable to a Fund and/or its Fund Manager and/or any Investing Entity which might reasonably be expected to have an economic, legal or regulatory impact for the relevant Issuer;

**“Hedging Event”** means the relevant Issuer is unable, or would incur an increased cost (compared with that on the Issue Date), to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of, in such size and upon such timing as it determines appropriate, any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s) upon such timing and in such form as it determines appropriate, whether or not in accordance with the Fund Rules;

**“Investor Tax Event”** means any changes in the regulatory, tax, accounting and/or any other treatment applicable to the holder of Fund Interests, which could have an economic or legal or regulatory impact for such holder;

**“Litigation Event”** means the commencement or continuation of litigation involving a Fund, Fund Manager or other service provider of that Fund that is, in the determination of the Calculation Agent, material;

**“Management Change”** means the occurrence of any event or the making of any changes affecting the structure of a Fund, its management, its material service providers, its reputation or solvency and/or the structure of, or rights attaching to, any shares in the capital of a Fund, which, in the reasonable opinion of the Calculation Agent is likely to have a significant impact on the value of the Fund Interests of such Fund, whether immediately or later;

**“Mandatory Disposal”** means any event or circumstance (whether or not imposed by the Fund, or in accordance with the Fund Rules) that obliges the holder of Fund Interests to sell or otherwise dispose of such Fund Interests;

**“Market Event”** means any crisis in the major financial markets such that the holding, trading or managing of an investment in a Fund is impracticable, inadvisable or materially altered;

**“NAV Suspension”** means suspension of the calculation or publication of the net asset value of a Fund, or failure by its Fund Manager, its administrator or any relevant entity duly appointed in that respect to deliver when due any relevant report detailing the net asset value of that Fund;

**“Performance Failure”** means any failure of the Fund Manager, administrator and/or the custodian (and/or other relevant service provider, as determined by the Calculation Agent) of a Fund to perform any of its material obligations under the Fund Rules or the liquidation, termination of appointment or resignation of the Fund Manager, administrator, custodian and/or a relevant service provider of such Fund;

**“Potential Regulatory Event”** means an investigation into the activities of a Fund, its Fund Manager, its custodian and/or its administrator being launched, or such activities being placed under review, in each case by their respective regulatory authorities or other competent body, for reason of alleged wrong-doing, alleged breach of any rule or regulation, or other similar reason;

**“Redemption Failure”** means a holder of Fund Interests would be unable to receive redemption payments in respect of such Fund Interests;

**“Regulatory Event”** means the winding-up, the closure or the termination of a Fund or the cancellation of the approval or registration of a Fund or its Fund Manager (or any successor thereto) by any relevant regulatory authority;

**“Subscription/Redemption Alteration”** means any subscription or redemption orders with respect to Fund Interests are not executed as described in the Fund Rules for that Fund;

**“Subscription/Redemption Restriction”** means any suspension of, or any restriction on, the acceptance of subscriptions or redemptions for Fund Interests or any limitation imposed on such subscription or redemptions (whether or not in accordance with the Fund Rules); or

**“Transfer Restriction”** means suspension of, or any restriction on, the ability of a holder of Fund Interests to transfer any such Fund Interests, other than in accordance with the Fund Rules.

(F) ***Additional Disruption Events***

**“Additional Disruption Event”** means any of Change in Law, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing and/or Loss of Stock Borrow, in each case if specified in the applicable Final Terms.

**“Change in Law”** means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the relevant Issuer determines in its sole and absolute discretion that (X) it has become illegal for it or any of its Affiliates or agents acting on its behalf to hold, acquire or dispose of any relevant Share (in the case of Share Securities) or any relevant security/commodity comprised in an Index (in the case of Index Securities) or (Y) it will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the relevant Issuer and/or any of its Affiliates or agents acting on its behalf).

**“Force Majeure Event”** means that, on or after the Trade Date (as specified in the applicable Final Terms), the performance of the relevant Issuer's obligations under the Securities is prevented or materially hindered or delayed due to (a) any act (other than a Market Disruption Event), law, rule, regulation, judgement, order, directive, interpretation, decree or material legislative or administrative interference of any Government Authority or otherwise, or (b) the occurrence of civil war, disruption, military action, unrest, political insurrection, terrorist

activity of any kind, riot, public demonstration and/or protest, or any other financial or economic reasons or any other causes or impediments beyond the relevant Issuer's control, or (c) any expropriation, confiscation, requisition, nationalisation or other action taken or threatened by any Government Authority that deprives the relevant Issuer of all or substantially all of its assets in the relevant jurisdiction.

**"Government Authority"** means any nation, state or government, any province or other political subdivision thereof, any body, agency or ministry, any taxing, monetary, foreign exchange or other authority, court, tribunal or other instrumentality and any other entity exercising, executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

**"Hedging Disruption"** means that the relevant Issuer and/or any of its Affiliates or agents acting on its behalf is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the relevant Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**"Hedging Shares"** means the number of Shares that the relevant Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Securities.

**"Increased Cost of Hedging"** means that the relevant Issuer and/or any of its Affiliates or agents acting on its behalf would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the relevant Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the relevant Issuer and/or any of its Affiliates or agents acting on its behalf shall not be deemed an Increased Cost of Hedging.

**"Increased Cost of Stock Borrow"** means that the relevant Issuer and/or any of its Affiliates would incur a rate to borrow Shares that is greater than the Initial Stock Loan Rate.

**"Initial Stock Loan Rate"** means, in respect of a Share, the initial stock loan rate specified in relation to such Share in the applicable Final Terms.

**"Insolvency Filing"** means that a Share Company or Basket Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not

consented to by the Share Company or Basket Company shall not be deemed an Insolvency Filing.

“**Loss of Stock Borrow**” means that the relevant Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Share in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

“**Maximum Stock Loan Rate**” means, in respect of a Share, the Maximum Stock Loan Rate specified in the applicable Final Terms.

“**Price Correction**” means that any price or level published on an Exchange, Related Exchange, Price Source, NAV Price, Relevant Price or other source for determining the price of any Reference Item or Component and which is utilised for any calculation or determination made under the Securities is subsequently corrected and the correction is published by the relevant source within three Business Days after the original publication.

If an Additional Disruption Event occurs, the relevant Issuer in its sole and absolute discretion may take the action described in (i) or (ii) below:

- (i) 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 any Relevant Assets and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the relevant Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of such Security or Unit, as the case may be, taking into account the Additional Disruption Event less the cost to the relevant Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

Upon the occurrence of an Additional Disruption Event, the relevant Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event.

#### 14. **Adjustments for European Monetary Union**

The Issuer may, without the consent of the Securityholders, on giving notice to the Securityholders in accordance with Condition 8:

- (i) elect that, with effect from the Adjustment Date specified in the notice, certain terms of the Securities shall be redenominated in euro;

The election will have effect as follows:

- (A) where the Settlement Currency of the Securities is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Calculation Agent may decide and as may be specified in the notice, and after the Adjustment Date, all payments of the Cash Settlement Amount in respect of the Securities will be made solely in euro as though references in the Securities to the Settlement Currency were to euro;
- (B) where the Exchange Rate and/or any other terms of these Conditions (as completed in the applicable Final Terms) are expressed in or, in the case of the Exchange Rate, contemplate the exchange from or into, the currency (the “**Original Currency**”) of a country which is participating in the third stage of European Economic and Monetary Union, such Exchange Rate and/or any other terms of these Conditions shall be deemed to be expressed in or, in the case of the Exchange Rate, converted for or, as the case may be into, euro at the Established Rate; and
- (C) such other changes shall be made to these Conditions (as completed in the applicable Final Terms) as the relevant Issuer may decide, in its sole and absolute discretion to conform them to conventions then applicable to instruments expressed in euro; and/or
- (ii) require that the Calculation Agent make such adjustments to the Component Weight and/or the Exercise Price and/or the Settlement Price and/or any other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent, in its sole and absolute discretion, may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union on the Component Weight and/or the Exercise Price and/or the Settlement Price and/or such other terms of these Conditions and/or the applicable Final Terms).

Notwithstanding the foregoing, none of the relevant Issuer, any of its Affiliates, the Calculation Agent or any of the Paying Agents shall be liable to any Securityholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith.

In this Condition, the following expressions have the following meanings:

“**Adjustment Date**” means a date specified by the relevant Issuer in the notice given to the Securityholders pursuant to this Condition which falls on or after the date on which the country of the Original Currency first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty;

“**Established Rate**” means the rate for the conversion of the Original Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to first sentence of Article 1091(4) of the Treaty;

“**euro**” means the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty;

“**National Currency Unit**” means the unit of the currency of a country, as those units are defined on the date on which the country of the Original Currency first participates in European Economic and Monetary Union; and

“**Treaty**” means the treaty establishing the European Community, as amended.

15. **Contracts (Rights of Third Parties) Act 1999**

Subject as provided in the Agency Agreement, the Securities do not confer on any third party any rights under the Contracts (Rights of Third Parties) Act 1999 (the Act) to enforce any term of the Securities, but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

16. **Exercise Rights for Warrants**

*Conditions 16, 17 and 18 shall apply only to Warrants*

(A) *Exercise Period*

(i) American Style Warrants

American Style Warrants are exercisable on any Exercise Business Day during the exercise period specified in the Final Terms (the “**Exercise Period**”) by the delivery of an Exercise Notice in the manner set out in Condition 17(A).

If Automatic Exercise is not specified in the applicable Final Terms, any such American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the last Exercise Business Day of the Exercise Period (the “**Expiration Date**”), shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any such American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is in the determination of the Calculation Agent "In-The-Money" shall be automatically exercised on the Expiration Date and the provisions of Condition 17(G) shall apply, provided the relevant Warrant is not a Definitive Warrant. The expressions “**exercise**”, “**due exercise**” and related expressions shall be construed to apply to any Warrants which are automatically exercised on the Expiration Date in accordance with this provision.

With respect to an American Style Warrant, the “**Actual Exercise Date**” means (a) if Automatic Exercise is not specified in the applicable Final Terms, the Exercise Business Day during the Exercise Period on which an Exercise Notice in respect of an American Style Warrant is delivered to the relevant Clearing System(s) with a copy to the relevant Issuer and the Fiscal Agent as provided in Condition 17(A), at or prior to 10.00 a.m. Brussels or Luxembourg time, as appropriate, or (b) if Automatic Exercise is specified in the applicable Final Terms, the Expiration Date. If any Exercise Notice in respect of an American Style Warrant is received by the relevant Clearing System(s), or a copy thereof is delivered to the relevant Issuer or the Fiscal Agent after 10.00 a.m. Brussels or Luxembourg time, as appropriate, on any Exercise Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the next Exercise Business Day, which Exercise Business Day shall be deemed to be the Actual Exercise Date, provided that any such Warrant in respect of which no Exercise Notice has been delivered in the manner set out in Condition 17(A) at or prior to 10.00 a.m. Brussels or Luxembourg time (as appropriate) on the Expiration Date shall (i) if Automatic Exercise is not specified in the applicable Final Terms, become void or (ii) if Automatic Exercise is specified in the applicable Final Terms, be automatically exercised on the Expiration Date as provided above.

In respect of Italian Listed Warrants, prior to the Renouncement Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Warrant by the delivery or the sending by authenticated swift message (confirmed in writing) of a duly completed Renouncement Notice, which shall be substantially in the form set out in the Agency Agreement and copies of which may be obtained from the specified office of the Paying Agents and the registered office of the relevant Issuer (a “**Renouncement Notice**”), to the relevant Clearing System, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.

Once delivered a Renouncement Notice shall be irrevocable. Any determination as to whether a Renouncement Notice is duly completed and in proper form shall be made by the relevant Clearing System in consultation with the Fiscal Agent and shall be conclusive and binding on the relevant Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Renouncement Notice so determined to be incomplete or not in proper form or which is not duly delivered shall be null and void. If such Renouncement Notice is subsequently corrected to the satisfaction of the relevant Clearing System, in consultation with the relevant Issuer and the Fiscal Agent, it shall be deemed to be a new Renouncement Notice submitted at the time such correction was delivered to the relevant Clearing System and copied to the relevant Issuer and the Fiscal Agent.

(ii) European Style Warrants

European Style Warrants are only exercisable on the Exercise Date or if such day is not an Exercise Business Day the immediately succeeding Exercise Business Day (the “**Actual Exercise Date**” and the “**Expiration Date**”).

If Automatic Exercise is not specified in the applicable Final Terms, any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in

Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time (as appropriate) on the Actual Exercise Date, shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any such European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Actual Exercise Date and which is in the determination of the Calculation Agent "In-The-Money", shall be automatically exercised on the Actual Exercise Date and the provisions of Condition 17(G) shall apply, provided the relevant Warrant is not a Definitive Warrant. The expressions exercise, due exercise and related expressions shall be construed to apply to any Warrants which are automatically exercised on the Actual Exercise Date in accordance with this provision.

In respect of Italian Listed Warrants, prior to the Renouncement Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Warrant by the delivery or the sending by authenticated swift message (confirmed in writing) of a duly completed Renouncement Notice to the relevant Clearing System, with a copy to the relevant Issuer and the Fiscal Agent, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.

Once delivered a Renouncement Notice shall be irrevocable. Any determination as to whether a Renouncement Notice is duly completed and in proper form shall be made by the relevant Clearing System in consultation with the Fiscal Agent and shall be conclusive and binding on the relevant Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Renouncement Notice so determined to be incomplete or not in proper form or which is not duly delivered shall be null and void. If such Renouncement Notice is subsequently corrected to the satisfaction of the relevant Clearing System, in consultation with the relevant Issuer and the Fiscal Agent, it shall be deemed to be a new Renouncement Notice submitted at the time such correction was delivered the relevant Clearing System and copied to the relevant Issuer and the Fiscal Agent.

(B) *Cash Settlement*

If the Warrants are Cash Settled Warrants, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit entitles its holder, upon due exercise in accordance with Condition 17(A) to receive from the relevant Issuer on the Settlement Date the Cash Settlement Amount.

(C) *Physical Settlement*

If the Warrants are Physical Delivery Securities, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, entitles its holder, upon due exercise and subject as provided in Condition 4, to receive the Entitlement from the relevant Issuer on the Settlement Date, subject to payment of the relevant Exercise Price, any Expenses and any other sums payable. The method of delivery of the Entitlement is set out in the applicable Final Terms.

Warrants or Units, as the case may be, exercised at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Warrants or Units, as the case may be, provided that the aggregate Entitlements in respect of the same Securityholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and a cash adjustment amount calculated by the Calculation Agent will be paid in lieu of such fractions of the Relevant Asset. Any such cash adjustment amount will be paid to the account specified in the relevant Exercise Notice.

Following exercise of a Share Security which is a Physical Delivery Warrant, all dividends on the Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the relevant Actual Exercise Date and to be delivered in the same manner as such relevant Shares, all as determined by the Calculation Agent. Any such dividends to be paid to a Securityholder will be paid to the account specified by the Securityholder in the relevant Exercise Notice as referred to in Condition 17(A)(v).

(D) **Barrier Event**

If a Barrier Event is specified as being applicable in the Final Terms, each Warrant or Unit, if Units are specified in the applicable Final Terms, as the case may be, entitles its holder to receive from the relevant Issuer on each Barrier Exercise Date the Barrier Cash Settlement Amount or the Barrier Entitlement, as the case may be, less any Expenses not already paid. If specified in the Final Terms, each such Warrant or Unit, as the case may be, shall be automatically exercised on the Barrier Exercise Date indicated in the Final Terms.

For the purpose of this Condition 16(D):

“**Barrier Entitlement**” means, in relation to a Physical Delivery Security, and a Reference Item or, as the case may be, a Component, the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Barrier Exercise Date in respect of each such Security following payment of any sums payable, including the Exercise Price (in the case of a Warrant) and Expenses rounded down as provided in Condition 16(C) or 19(C), as determined by the Calculation Agent including any documents evidencing such Entitlement, specified in the applicable Final Terms or in accordance with the following:

- (a) the Entitlement Units; multiplied by
- (b) the Entitlement Multiplier; multiplied by
- (c) in respect of any Reference Item constituted by a Basket, the Component Weight.

“**Barrier Cash Settlement Amount**” means the amount which the Securityholder is entitled to receive on the Barrier Exercise Date in the Settlement Currency in relation to each such Security or Unit, if Units are specified in the applicable Final Terms, as specified in the applicable Final Terms or determined by the Calculation Agent as an amount equal to:

- (a) the amount indicated in the relevant Final Terms; or
- (b) if the Warrants are Call Warrants, the Barrier Reference Level minus the Strike Level;  
or
- (c) if the Warrants are Put Warrants, the Strike Level minus the Barrier Reference Level,

provided in each case that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if any). The Barrier Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Securities or Units, as the case may be, held at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Barrier Cash Settlement Amount payable.

**“Barrier Event”** means the occurrence in relation to the Reference Item of one of the following events:

- (a) the Settlement Price is equal to and/or exceeds the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms; or
- (b) the Settlement Price is equal to and/or falls below the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms,

**“Barrier Exercise Date”** has the meaning given in the Final Terms;

**“Barrier Level”** has the meaning given in the Final Terms;

**“Barrier Maximum Amount”** has the meaning given in the Final Terms;

**“Barrier Minimum Amount”** has the meaning given in the Final Terms;

**“Barrier Observation Date”** means the date indicated in the relevant Final Terms;

**“Barrier Observation Period”** means the period indicated in the relevant Final Terms; and

**“Barrier Reference Level”** means the Settlement Price on the relevant Barrier Observation Date or the relevant day during the Barrier Observation Period on which the Barrier Event occurs, as the case may be.

## 17. **Exercise Procedure**

### (A) *Exercise Notice*

Warrants may only be exercised by the delivery or the sending by authenticated swift message (confirmed in writing) to the relevant Clearing System(s), with a copy to the Fiscal Agent and the relevant Issuer, of a duly completed exercise notice (an **“Exercise Notice”**) in the form set out in the Agency Agreement (copies of which form may be obtained from the relevant Clearing System(s) and the Paying Agents) in accordance with the provisions set out in

Condition 16 and this Condition. If the relevant Warrant is in definitive form, such Warrant must be delivered, together with the Exercise Notice, to the relevant Issuer and with a copy to the Fiscal Agent.

An Exercise Notice shall:

- (i) specify the series of the Warrants and the number of Warrants or Units the subject of such Notice;
- (ii) except in the case of Definitive Warrants, specify the number of the Securityholder's account at the relevant Clearing System(s), to be debited with the Warrants the subject of such Exercise Notice;
- (iii) except in the case of Definitive Warrants, irrevocably instruct the relevant Clearing System(s), to debit on or before the Settlement Date the Securityholder's account with the Warrants the subject of such Exercise Notice;
- (iv) include (A) an undertaking to pay all Expenses and, in the case of Physical Delivery Warrants, the aggregate Exercise Price in respect of the relevant Warrants or Units (together with any other amounts payable); and (B) an authorisation to the relevant Issuer to deduct any Expenses from the Cash Settlement Amount, in the case of Cash Settled Warrants, or, in the case of Physical Delivery Warrants, an irrevocable instruction to the relevant Clearing System(s) (or to the Fiscal Agent, in the case of Definitive Warrants), to debit a specified account of the Securityholder at the relevant Clearing System(s) (or such other specified account of the Securityholder, in the case of Definitive Warrants) with the aggregate Exercise Price and any Expenses (together with any other amounts payable);
- (v) include such details as are required by the applicable Final Terms for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered and specify the name and the number of the Securityholder's account with the relevant Clearing System(s), or, in the case of a Definitive Warrant, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with any cash payable by the relevant Issuer, either in respect of any cash amount constituting the Entitlement or any cash adjustment amount paid in lieu of fractions of the Relevant Asset or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event or, if applicable, a Failure to Deliver due to Illiquidity and the relevant Issuer electing to pay the Settlement Disruption Amount or Failure to Deliver Settlement Price;
- (vi) in the case of Currency Warrants only, specify the number of the Securityholder's account at the relevant Clearing System(s), or, in the case of a Definitive Warrant, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with the amount due upon exercise of the Warrants;
- (vii) in the case of Cash Settled Warrants which are Definitive Warrants only, specify the details of an account in the principal financial centre of the relevant Settlement

Currency to be credited with the Cash Settlement Amount for each Warrant or Unit, as the case may be, being exercised;

- (viii) certify, inter alia, that the beneficial owner of each Warrant the subject of such Exercise Notice is not a U.S. person (as defined in the Exercise Notice), the Warrant was not held on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with such exercise and, where appropriate, undertake to provide such various forms of certification in respect of selling restrictions under the securities, commodities and other laws of the United States as set out in the applicable Final Terms; and
- (viii) authorise the production of such certification in any applicable administrative or legal proceedings, all as provided in the Agency Agreement.

- (2) If Condition 4(C) applies, the form of Exercise Notice required to be delivered may be different from that set out above. Copies of such Exercise Notice may be obtained from the relevant Clearing System(s) and the Paying Agents.

(B) *Verification of the Securityholder*

Except in the case of an Exercise Notice submitted in respect of a Definitive Warrant, upon receipt of an Exercise Notice, the relevant Clearing System(s), shall verify that the person exercising the Warrant is the holder thereof according to the books of the relevant Clearing System(s). Subject thereto, the relevant Clearing System(s) will confirm to the Fiscal Agent the series and the number of Warrants being exercised, the relevant account details (if applicable) for payment of the Cash Settlement Amount or the details for the delivery of the Entitlement, as the case may be, in respect of each Warrant or Unit the subject of the relevant Exercise Notice. Upon receipt of such confirmation, the Fiscal Agent will inform the relevant Issuer thereof. The relevant Clearing System(s) will on or before the Settlement Date debit the account of the relevant Securityholder with the Warrants the subject of the relevant Exercise Notice.

(C) *Cash Settled Warrants*

Subject as provided in this Condition 17, the relevant Issuer shall pay or cause to be paid the Cash Settlement Amount (if any) for each duly exercised Warrant or Unit, as the case may be, by credit or transfer to the Securityholder's account with the relevant Clearing System(s), for value on the Settlement Date less any Expenses not already paid, such payment to be made in accordance with the rules of the relevant Clearing System(s) (as appropriate).

The Issuer's obligations will be discharged by payment to, or to the order of, the relevant Clearing System(s) of the amount so paid. Each of the persons shown in the records of the relevant Clearing System(s) as the holder of a particular number of Warrants must look solely to the relevant Clearing System(s) for his share of each such payment.

Payments will be subject in all cases to any fiscal or any other laws and regulations applicable thereto in the place of payment.

(D) *Physical Delivery Warrants*

Subject to payment of the aggregate Exercise Price and any Expenses with regard to the relevant Warrants or Units, as the case may be, the relevant Issuer shall on the Settlement Date deliver, or procure the delivery of, the Entitlement for each duly exercised Warrant or Unit, subject as provided in Condition 4(C). The Entitlement shall be delivered and evidenced in such manner as set out in the applicable Final Terms.

(E) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Fiscal Agent, and shall be conclusive and binding on the relevant Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Exercise Notice so determined to be incomplete or not in proper form or which is not duly delivered to the relevant Clearing System(s) and copied to the relevant Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, is not duly delivered to the relevant Issuer together with the relevant Definitive Warrant(s) and copied to the Fiscal Agent), shall be null and void.

If such Exercise Notice is subsequently corrected to the satisfaction of the relevant Clearing System(s), in consultation with the relevant Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, to the satisfaction of the relevant Issuer in consultation with the Fiscal Agent), it shall be deemed to be a new Exercise Notice submitted at the time such correction was delivered to the relevant Clearing System(s) and copied to the relevant Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, to the relevant Issuer and copied to the Fiscal Agent).

**If Automatic Exercise is not specified in the applicable Final Terms, any Warrants with respect to which the Exercise Notice has not been duly completed and delivered in the manner set out above by the cut-off time specified in Condition 16(A)(i), in the case of American Style Warrants, or Condition 16(A)(ii), in the case of European Style Warrants, shall become void.**

The relevant Clearing System(s) (or, in the case of Definitive Warrants, the relevant Issuer) shall use its best efforts promptly to notify the Securityholder submitting an Exercise Notice if, in consultation with the relevant Issuer and/or the Fiscal Agent (as applicable), it has determined that such Exercise Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the relevant Issuer, the Paying Agents, the relevant Clearing System(s) and the Calculation Agent shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Securityholder.

(F) *Delivery of an Exercise Notice*

Delivery of an Exercise Notice shall constitute an irrevocable election by the relevant Securityholder to exercise the Warrants specified. After the delivery of such Exercise Notice, such exercising Securityholder may not transfer such Warrants.

(G) *Failure to deliver an Exercise Notice*

This paragraph only applies if (i) Automatic Exercise is specified in the applicable Final Terms and Warrants are automatically exercised as provided in Condition 16(A)(i) or Condition 16(A)(ii); and (ii) provided the relevant Warrant is not a Definitive Warrant.

(i) *Cash Settled Warrants*

In the event that a Warrantholder does not, in respect of a Cash Settled Warrant to which this Condition 17(G) applies, deliver an Exercise Notice in accordance with Condition 17(A) above on or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date, the provisions of Condition 17(C) shall nevertheless apply as if such Warrant or Unit had been duly exercised on such date.

(ii) *Physical Delivery Warrants*

In the event that a Warrantholder does not, in respect of a Physical Delivery Warrant to which this Condition 17(G) applies, deliver an Exercise Notice in accordance with Condition 17(A) above on or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date, the relevant Issuer shall as soon as reasonably practicable determine the Assessed Value Payment Amount and in respect of the relevant Warrant or Unit, as the case may be, shall pay or cause to be paid the Assessed Value Payment Amount by credit or transfer to the relevant Securityholder's account with the relevant Clearing System(s) (such payment to be made in accordance with the rules of the relevant Clearing System(s) as soon as reasonably practicable following the determination of the Assessed Value Payment Amount. Upon payment of the Assessed Value Payment Amount as aforesaid, the relevant Issuer's obligations in respect of such Warrant or Unit shall be discharged. Payments will be subject in all cases to any fiscal or any other laws and regulations applicable thereto in the place of payment. As used herein, Assessed Value Payment Amount means an amount determined by the Calculation Agent to be the fair market value of the Relevant Assets comprised in the Entitlement in respect of the relevant Warrant or Unit, less any Expenses and any other amounts payable.

(H) *Settlement provisions for Definitive Warrants*

In the event that any Definitive Warrants have been issued prior to the Expiration Date, the relevant Issuer shall, on or prior to the Expiration Date, notify Securityholders in accordance with Condition 8 of the procedure to be followed in order to receive any Cash Settlement Amount or Assessed Value Payment Amount that may be payable upon Automatic Exercise.

(I) *Exercise Risk*

Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date and none of the relevant Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the relevant Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall under any circumstances be liable for any acts or defaults of the relevant Clearing System(s) in relation to the performance of their duties in relation to the Warrants.

18. **Minimum and Maximum Number of Warrants Exercisable**

(A) *American Style Warrants*

This paragraph (A) applies only to American Style Warrants.

- (i) The number of Warrants exercisable by any Securityholder on any Actual Exercise Date, as determined by the relevant Issuer, must not be less than the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.
- (ii) If the relevant Issuer determines that the number of Warrants being exercised on any Actual Exercise Date by any Securityholder or a group of Securityholders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number being the Quota), the relevant Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the relevant Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each of the succeeding Business Days until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where more than the Quota of Warrants are exercised on the same day by Securityholder(s), the order of settlement in respect of such Warrants shall be at the sole discretion of the relevant Issuer.

(B) *European Style Warrants*

This paragraph (B) applies only to European Style Warrants.

The number of Warrants exercisable on behalf of any Securityholder on any Exercise Date, as determined by the relevant Issuer, must be equal to the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any exercise which purports to exercise Warrants in breach of this provision shall be void and of no effect.

“Unit” means, with respect to Warrants, the number of Warrants specified in the Final Terms, which will be the minimum number of Warrants which may be exercised in accordance with Condition 17.

19. **Exercise of Certificates**

*Conditions 19, 20 and 21 shall only apply to Certificates*

(A) *Exercise Date*

Subject to Condition 19(D) below, each Certificate shall be automatically exercised on the Exercise Date.

In respect of Italian Listed Certificates, prior to the Renunciation Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Certificate by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed Renunciation Notice to the relevant Clearing System, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.

Once delivered a Renunciation Notice shall be irrevocable. Any determination as to whether a Renunciation Notice is duly completed and in proper form shall be made by the relevant Clearing System in consultation with the Fiscal Agent and shall be conclusive and binding on the relevant Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Renunciation Notice so determined to be incomplete or not in proper form or which is not duly delivered shall be null and void. If such Renunciation Notice is subsequently corrected to the satisfaction of the relevant Clearing System, in consultation with the relevant Issuer and the Fiscal Agent, it shall be deemed to be a new Renunciation Notice submitted at the time such correction was delivered to the relevant Clearing System and copied to the relevant Issuer and the Fiscal Agent.

(B) *Cash Settlement*

If the Certificates (“**Cash Settled Certificates**”) are Cash Settled Securities, each such Certificate entitles its holder to receive from the relevant Issuer on the Settlement Date the Cash Settlement Amount, less any Expenses not already paid.

(C) *Physical Settlement*

If the Certificates (“**Physical Delivery Certificates**”) are Physical Delivery Securities, each such Certificate entitles its holder, subject to the provisions of Condition 20(A), to receive from the relevant Issuer on the Settlement Date the Entitlement, subject to payment of any Expenses. The method of delivery of the Entitlement is set out in the applicable Final Terms.

Unless otherwise specified in the applicable Final Terms, Certificates of the same Securityholder automatically exercised and in respect of which a Physical Delivery Confirmation Notice (as defined below) has been duly given as provided in Condition 20(A), will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Certificates, provided that the aggregate Entitlements in respect of the same Securityholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and a cash adjustment amount calculated by the Calculation Agent will be paid in lieu of such fractions of the Relevant Asset. Any such cash adjustment amount will be paid to the account specified in the relevant Exercise Notice.

Following exercise of a Share Security which is a Physical Delivery Certificate, all dividends on the relevant Shares to be delivered will be payable to the party that would receive such

dividend according to market practice for a sale of the Shares executed on the Exercise Date and to be delivered in the same manner as such relevant Shares, all as determined by the Calculation Agent. Any such dividends to be paid to a Securityholder will be paid to the account specified by the Securityholder in the relevant Physical Delivery Confirmation Notice as referred to in Condition 20(A)(1)(v).

(D) **Barrier Event**

If a Barrier Event is specified as being applicable in the Final Terms and has occurred, each Certificate entitles its holder to receive from the relevant Issuer on each Barrier Exercise Date the Barrier Cash Settlement Amount or the Barrier Entitlement, as the case may be, less any Expenses not already paid. If specified in the Final Terms, each such Certificate shall be automatically exercised on the Barrier Exercise Date indicated in the Final Terms.

For the purpose of this Condition 19(D):

“**Barrier Entitlement**” means, in relation to a Physical Delivery Security, and a Reference Item or, as the case may be, a Component, the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Barrier Exercise Date in respect of each such Security following payment of any sums payable, including the Exercise Price (in the case of a Warrant) and Expenses rounded down as provided in Condition 16(C) or 19(C), as determined by the Calculation Agent including any documents evidencing such Entitlement, specified in the applicable Final Terms or in accordance with the following:

- (a) the Entitlement Units; multiplied by
- (b) the Entitlement Multiplier; multiplied by
- (c) in respect of any Reference Item constituted by a Basket, the Component Weight.

“**Barrier Cash Settlement Amount**” means, in relation to a Cash Settled Security, the amount which the Securityholder is entitled to receive on the Barrier Exercise Date in the Settlement Currency in relation to each such Security, as determined by the Calculation Agent as an amount equal to:

- (a) the amount indicated in the relevant Final Terms; or
- (b) (i) the Nominal Amount multiplied by (ii)  $(1 + (\text{Participation Factor multiplied by Performance of Underlying}))$ ,

provided in each case that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if any). The Barrier Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Securities held at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Barrier Cash Settlement Amount payable.

“**Barrier Event**” means the occurrence in relation to the Reference Item of one of the following events:

- (a) the Settlement Price is equal to and/or exceeds the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms; or
- (b) the Settlement Price is equal to and/or falls below the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms,

“**Barrier Exercise Date**” has the meaning given in the Final Terms;

“**Barrier Level**” has the meaning given in the Final Terms;

“**Barrier Maximum Amount**” has the meaning given in the Final Terms;

“**Barrier Minimum Amount**” has the meaning given in the Final Terms;

“**Barrier Observation Date**” means the date indicated in the relevant Final Terms;

“**Barrier Observation Period**” means the period indicated in the relevant Final Terms;

“**Performance of Underlying**” means, with respect to the Reference Item:

$$\left[ \frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

where “**Final Reference Level**” is the Settlement Price on the relevant Barrier Observation Date or the relevant day during the Barrier Observation Period on which the Barrier Event occurs, as the case may be.

## 20. **Physical Delivery Confirmation Notices and Settlement**

### (A) *Physical Delivery Confirmation Notice Requirement*

In the case of Physical Delivery Certificates, in order to obtain delivery of the Entitlement the relevant Securityholder must deliver or send by authenticated swift message (confirmed in writing) to the relevant Clearing System(s) with a copy to the Fiscal Agent and the relevant Issuer not later than 10.00 a.m. Brussels or Luxembourg time (as appropriate) on the Exercise Date a duly completed physical delivery confirmation notice (a “**Physical Delivery Confirmation Notice**”) in the form set out in the Agency Agreement (copies of which form may be obtained from the relevant Clearing System(s) or the Paying Agents) in accordance with the provisions set out in this Condition. If the relevant Certificate is in definitive form, such Certificate must be delivered, together with the Physical Delivery Confirmation Notice, to the relevant Issuer and with a copy to the Fiscal Agent.

#### (1) The Physical Delivery Confirmation Notice shall:

- (i) specify the series of the Certificates and the number of Certificates the subject of such Physical Delivery Confirmation Notice;

- (ii) except in the case of Definitive Certificates, specify the number of the Securityholder's account at the relevant Clearing System(s) to be debited with the Certificates the subject of such Physical Delivery Confirmation Notice;
  - (iii) except in the case of Definitive Certificates, irrevocably instruct the relevant Clearing System(s) to debit on or before the Settlement Date the Securityholder's account with the Certificates the subject of such Physical Delivery Confirmation Notice;
  - (iv) include an undertaking to pay all Expenses and, except in the case of Definitive Certificates, an authority to the relevant Clearing System(s) to debit a specified account of the Securityholder at the relevant Clearing System(s) in respect thereof;
  - (v) include such details as are required by the applicable Final Terms for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered and specify the name and the number of the Securityholder's account with the relevant Clearing System(s) or, in the case of a Definitive Certificate, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with any cash payable by the relevant Issuer, either in respect of any cash amount constituting the Entitlement or any cash adjustment amount paid in lieu of fractions of the Relevant Asset or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event or a Failure to Deliver due to Illiquidity and the relevant Issuer electing to pay the Settlement Disruption Amount or Failure to Deliver Settlement Price, as the case may be;
  - (vi) in the case of Currency Certificates only, specify the number of the Securityholder's account at the relevant Clearing System(s) or, in the case of a Definitive Certificate, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with the amount due upon exercise of the Certificates;
  - (vii) certify, inter alia, that the beneficial owner of each Certificate the subject of such Physical Delivery Confirmation Notice is not a U.S. person (as defined in the Physical Delivery Confirmation Notice), the Certificate was not held on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with such exercise and, where appropriate, undertake to provide such various forms of certification in respect of selling restrictions under the securities, commodities and other laws of the United States as may be required; and
  - (viii) authorise the production of the Physical Delivery Confirmation Notice in any applicable administrative or legal proceedings, all as provided in the Agency Agreement.
- (2) If Condition 4(C) applies, the form of Physical Delivery Confirmation Notice required to be delivered may be different from that set out above. Copies of such Physical Delivery Confirmation Notice may be obtained from the relevant Clearing System(s) and the Paying Agents.

(B) *Verification of the Securityholder*

Except in the case of a Physical Delivery Confirmation Notice submitted in respect of a Definitive Certificate, upon receipt of a Physical Delivery Confirmation Notice, the relevant Clearing System(s) shall verify that the person exercising the Certificates is the holder thereof according to the books of the relevant Clearing System(s). Subject thereto, the relevant Clearing System(s) will confirm to the Fiscal Agent the series and the number of Certificates being exercised and the details for the delivery of the Entitlement in respect of each Certificate the subject of the relevant Physical Delivery Confirmation Notice. Upon receipt of such confirmation, the Fiscal Agent will inform the relevant Issuer thereof. The relevant Clearing System(s) will on or before the Settlement Date debit the account of the relevant Securityholder with the Certificates the subject of the relevant Physical Delivery Confirmation Notice.

(C) *Cash Settled Certificates*

Subject as provided in this Condition 20, the relevant Issuer shall pay or cause to be paid the Cash Settlement Amount (if any) for each Certificate by credit or transfer to the Securityholder's account with the relevant Clearing System(s) for value on the Settlement Date, less any Expenses not already paid, such payment to be made in accordance with the rules of the relevant Clearing System(s).

The Issuer's obligations will be discharged by payment to, or to the order of, the relevant Clearing System(s) of the amount so paid. Each of the persons shown in the records of the relevant Clearing System(s) as the holder of a particular amount of the Certificates must look solely to the relevant Clearing System(s) for his share of each such payment.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(D) *Physical Delivery Certificates*

Subject to payment of any Expenses with regard to the relevant Certificates, the relevant Issuer shall, on the Settlement Date, deliver, or procure the delivery of, the Entitlement for each Certificate in respect of which a valid Physical Delivery Confirmation Notice has been delivered as provided in Condition 20(A) pursuant to the details specified in the Physical Delivery Confirmation Notice, subject as provided in Condition 4(C). The Entitlement shall be delivered and evidenced in such manner as set out in the applicable Final Terms.

In the event that no valid Physical Delivery Confirmation Notice has been duly delivered at or prior to 10.00 a.m. (Brussels or Luxembourg time, as the case may be) on the Exercise Date, the provisions of Condition 20(G) below shall apply.

(E) *Determinations*

Any determination as to whether a Physical Delivery Confirmation Notice is duly completed and in proper form shall be made by the Fiscal Agent, and shall be conclusive and binding on the relevant Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Physical Delivery Confirmation Notice so determined to be

incomplete or not in proper form or which is not duly delivered to the relevant Clearing System(s) and copied to the relevant Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, which is not duly delivered to the relevant Issuer together with the relevant Definitive Certificate(s) and copied to the Fiscal Agent) shall be null and void.

If such Physical Delivery Confirmation Notice is subsequently corrected to the satisfaction of the relevant Clearing System(s), in consultation with the relevant Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, to the satisfaction of the relevant Issuer in consultation with the Fiscal Agent), it shall be deemed to be a new Physical Delivery Confirmation Notice submitted at the time such correction was delivered to the relevant Clearing System(s) and copied to the relevant Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, to the relevant Issuer and copied to the Fiscal Agent).

The relevant Clearing System(s) (or, in the case of Definitive Certificates, the relevant Issuer) shall use its best efforts promptly to notify the Securityholder submitting a Physical Delivery Confirmation Notice if, in consultation with the relevant Issuer and/or the Fiscal Agent (as applicable), it has determined that such Physical Delivery Confirmation Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the relevant Issuer, the Paying Agents, the relevant Clearing System(s) and the Calculation Agent shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Securityholder.

(F) *Delivery of a Physical Delivery Confirmation Notice*

After the delivery of a Physical Delivery Confirmation Notice, the relevant Securityholder may not transfer Certificates the subject of such notice.

(G) *Failure to deliver a Physical Delivery Confirmation Notice*

Provided that the relevant Certificates are not Definitive Certificates, in which case the provisions of Condition 20(H) will apply, in the event that a Certificateholder does not, in respect of a Physical Delivery Certificate, deliver or procure delivery of a Physical Delivery Confirmation Notice as set out above, prior to 10.00 a.m., Brussels or Luxembourg time, on the Exercise Date, the relevant Issuer shall as soon as reasonably practicable determine the Assessed Value Payment Amount and in respect of such Certificate shall pay or cause to be paid the Assessed Value Payment Amount by credit or transfer to the Securityholder's account with the relevant Clearing System(s) as soon as reasonably practicable following the determination of the Assessed Value Payment Amount. Upon payment of the Assessed Value Payment Amount as aforesaid, the relevant Issuer's obligations in respect of such Certificate shall be discharged. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment. As used herein, Assessed Value Payment Amount means an amount determined by the Calculation Agent to be the fair market value of the Relevant Assets comprised in the Entitlement in respect of the relevant Certificate, less any Expenses.

(H) **Settlement provisions for Definitive Certificates**

In the event that any Definitive Certificates have been issued prior to the Exercise Date, the relevant Issuer shall, on or prior to the Exercise Date, notify Securityholders in accordance with Condition 8 of the procedure to be followed in order to receive any Cash Settlement Amount or Assessed Value Payment Amount that may be payable upon exercise of the Certificates.

(I) **Exercise Risk**

Exercise of the Certificates is subject to all applicable laws, regulations and practices in force on the Exercise Date and none of the relevant Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the relevant Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall under any circumstances be liable for any acts or defaults of the relevant Clearing System(s) in relation to the performance of their duties in relation to the Certificates.

21. **Remuneration**

(A) *Remuneration Amount*

If so specified in the applicable Final Terms and subject to Condition 21(L), each Certificate pays remuneration from and including the Issue Date at the Remuneration Rate payable in arrear on each Remuneration Payment Date.

The amount of remuneration payable in respect of each Certificate for any period shall be the Remuneration Amount, save that where a Remuneration Amount is specified in respect of such period, the amount of remuneration payable in respect of such Certificate for such period will equal such Remuneration Amount. In respect of any short or long Remuneration Period as specified in the applicable Final Terms, the Calculation Agent will determine the Remuneration Rate using either Linear Interpolation or the relevant Reference Rate on the Remuneration Determination Date as indicated in the Final Terms.

(B) *Accrual of Remuneration*

Each Certificate will cease to accrue remuneration from and including the Settlement Date or, if earlier, the date on which the Certificates are cancelled (the “**Cancellation Date**”) or the date on which a Remuneration Barrier Event occurs, if applicable, in accordance with these Conditions unless (and subject to a Remuneration Barrier Event, if applicable, not having occurred) payment of the amount and/or delivery of any Entitlement due on the Settlement Date or Cancellation Date, as the case may be, is improperly withheld or refused or unless default is otherwise made in respect of the payment or delivery in which case additional remuneration shall accrue from the date such amount or delivery of such Entitlement was due until such amount or delivery of such Entitlement is paid or delivered, as the case may be. For the avoidance of doubt, no remuneration on the Certificates shall accrue beyond the Settlement Date in the event that delivery of any Entitlement is postponed due to the occurrence of a Settlement Disruption Event.

(C) *Payment of Remuneration Amount*

Where the Certificates pay remuneration, subject as provided below, the relevant Issuer shall pay or cause to be paid the Remuneration Amount for each Certificate in respect of each Remuneration Payment Date by credit or transfer to the Securityholder's account with the relevant Clearing System(s) for value on the relevant Remuneration Payment Date, such payment to be made in accordance with the rules of the relevant Clearing System(s).

The Issuer will be discharged by payment to, or to the order of, the relevant Clearing System(s) in respect of the amount so paid. Each of the persons shown in the records of the relevant Clearing System(s) as the holder of a particular amount of the Certificates must look solely to the relevant Clearing System(s) for his share of each such payment so made to, or to the order of, the relevant Clearing System(s).

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(D) *Business Day Convention*

If any date referred to in these Conditions which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (i) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day, (ii) the Modified Following Business Day Convention, such 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 date shall be brought forward to the immediately preceding Business Day or (iii) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(E) *Fixed Remuneration Rate*

If the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable, the amount of interest payable in respect of each Certificate for any Remuneration Period shall be the relevant Fixed Remuneration Amount. The amount of remuneration payable in respect of each Certificate for any period for which a Fixed Remuneration Amount is not specified shall be calculated by applying the Remuneration Rate to the Notional Amount of such Certificate, multiplying the product by the relevant Day Count Fraction (not adjusted in accordance with the Business Day Convention) and rounding the resulting figure in accordance with Condition 21(H) (*Rounding*).

(F) *Floating Remuneration Rate*

If the Floating Rate Provisions are specified in the Final Terms as being applicable, the Remuneration Rate for each Remuneration Period will be determined by the Calculation Agent on the following basis:

- (i) *Screen Rate Determination*: if Screen Rate Denomination is specified in the relevant Final Terms as the manner in which the Remuneration Rate is to be determined, as follows:

- (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Rate Screen Page as of the Relevant Determination Time on the relevant Remuneration Determination Date;
- (B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Rate Screen Page as of the Relevant Determination Time on the relevant Remuneration Determination Date;
- (C) if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Rate Screen Page is unavailable, the Calculation Agent will:
  - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Determination Time on the Remuneration Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (2) determine the arithmetic mean of such quotations; and
  - (3) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Settlement Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Settlement Currency) on the first day of the relevant Remuneration Period for loans in the Settlement Currency to leading European banks for a period equal to the relevant Remuneration Period and in an amount that is representative for a single transaction in that market at that time,

and the Remuneration Rate for such Remuneration Period shall be:

- (a) if “Rate Multiplier” is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the rate or (as the case may be) the arithmetic mean determined in accordance with the above provisions (the “**Screen Determined Rate**”);
- (b) if “Rate Multiplier is specified in the relevant Final Terms as being applicable
  - (i) the sum of the Margin and the relevant Screen Determined Rate multiplied
  - by (ii) the Rate Multiplier;

- (c) if “Reference Rate Multiplier” is specified in the relevant Final Terms as being applicable, the sum of (i) Margin, and (ii) the relevant Screen Determined Rate multiplied by the Reference Rate Multiplier,

*provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Remuneration Period, the Remuneration Rate applicable to the Certificates during such Remuneration Period will be calculated in accordance with the foregoing, save that the Determined Rate shall be the arithmetic mean last determined in relation to the Certificates in respect of a preceding Remuneration Period.

- (ii) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Remuneration Rate(s) is/are to be determined, the Remuneration Rate applicable to the Certificates for each Remuneration Period will be:

- (A) if “Rate Multiplier” is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the relevant ISDA Rate;
- (B) if “Rate Multiplier” is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and the relevant ISDA Rate multiplied by (ii) the Rate Multiplier;
- (C) if “Reference Rate Multiplier” is specified in the relevant Final Terms as being applicable, the sum of (i) Margin, and (ii) the relevant ISDA Rate multiplied by the Reference Rate Multiplier,

where “**ISDA Rate**” in relation to any Remuneration Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (2) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (3) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Remuneration Period or (2) in any other case, as specified in the relevant Final Terms.
- (iii) *CMS Rates Determination:* If CMS Rates Determination is specified in the relevant Final Terms as the manner in which the Remuneration Rate(s) is/are to be determined, as follows:

- (A) the Calculation Agent will determine the Reference Rate which appears on the Relevant Rate Screen Page as of the Relevant Determination Time on the relevant Remuneration Determination Date;
- (B) If no Reference Rate appears on the Relevant Rate Screen Page at the Relevant Determination Time on the Remuneration Determination Date, subject as provided below, the Reference Rate shall be a percentage determined on the basis of the mid-market annual swap rate quotations provided by each of the Reference Banks quoting to major banks in the Relevant Financial Centre at the Relevant Determination Time on the Remuneration Determination Date, as determined by the Calculation Agent. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated in accordance with the applicable Day Count Fraction, of a fixed-for-floating interest rate swap transaction denominated in the Settlement Currency with a term equal to the Specified Duration commencing on the Remuneration Determination Date and in an amount that is representative of a single transaction in that market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated in accordance with the applicable Day Count Fraction, is equivalent to the Specified Duration. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that Remuneration Determination Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest);

and the Remuneration Rate for such Remuneration Period shall be:

- (a) if “Rate Multiplier” is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the rate or (as the case may be) the arithmetic mean determined in accordance with the above provisions (the “**CMS Determined Rate**”);
- (b) if “Rate Multiplier” is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and the relevant Screen Determined Rate multiplied by (ii) the Rate Multiplier;
- (c) if “Reference Rate Multiplier” is specified in the relevant Final Terms as being applicable, the sum of (i) Margin, and (ii) the relevant Screen Determined Rate multiplied by the Reference Rate Multiplier,

*provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Remuneration Period, the Remuneration Rate applicable to the Certificates during such Remuneration Period will be calculated in accordance with the foregoing, save that the Determined Rate shall be the arithmetic mean last

determined in relation to the Certificates in respect of a preceding Remuneration Period.

(G) *Maximum/Minimum Remuneration Rates*

If any Maximum Remuneration Rate or Minimum Remuneration Rate is specified in the relevant Final Terms, then any Remuneration Rate shall be subject to such maximum or minimum, as the case may be.

(H) *Rounding*

For the purposes of any calculations required pursuant to this Conditions 21 (unless otherwise specified), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (ii) all figures will be rounded to seven significant figures (with halves being rounded up) and (iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes “unit” means, with respect to any currency other than Euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(I) *Determination and Publication of Remuneration Rates and Remuneration Amounts*

After the Relevant Determination Time on each Remuneration Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Remuneration, obtain any quote or make any determination or calculation, it will, promptly, determine the Remuneration Rate and calculate the Remuneration Amount for the relevant Remuneration Period, obtain such quote or make such determination or calculation, as the case may be, and cause the Remuneration Rate and the Remuneration Amount for each Remuneration Period and the relevant Remuneration Payment Date to be notified to the Fiscal Agent, the relevant Issuer, the Paying Agent, the holders of the Certificates, any other Calculation Agent appointed in respect of the Certificates which is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange so requires, such exchange promptly after their determination but in no event later than (i) the commencement of the relevant Remuneration Period, if determined prior to such time, in the case of an Remuneration Rate and Remuneration Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Remuneration Amounts and the Remuneration Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Remuneration Period. The determination of each Remuneration Rate, Remuneration Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(J) *Calculation Agent and Reference Banks*

The Issuer will use its best endeavours to ensure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the Conditions

applicable to the Securities and for so long as any Securities are outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the relevant Issuer will appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Remuneration Rate for any Remuneration Period or to calculate the Remuneration Amount or any other requirements, the relevant Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(K) *Interest Rate Switch*

If Change of Interest is specified as being applicable in the relevant Final Terms, from and including the Remuneration Rate Switch Date, the Remuneration Rate applicable for the calculation of remuneration for each remaining Remuneration Period with respect to the Securities shall be the rate specified as applying from and including such Remuneration Rate Switch Date in the Final Terms and the initial Remuneration Rate applicable to the Securities shall no longer apply.

(L) *Remuneration Barrier Events*

- (i) In the event that the relevant Final Terms specify that the Remuneration Barrier Event is applicable and “No Further Interest Accrual” is applicable and a Remuneration Barrier Event has occurred, with effect from the date on which the Remuneration Barrier Event occurred, the Securities will cease to bear remuneration. Notwithstanding any other provisions to the contrary in this Condition 21, on the immediately following Remuneration Payment Date, the Remuneration Amount payable will be the amount calculated in accordance with the definition of Remuneration Amount below, provided that for the purposes of the definition of “Day Count Fraction”, the Remuneration Period will be deemed to have ended on, and included, the date on which the Remuneration Barrier Event occurred. Thereafter, there will be no further Remuneration Payment Dates and no further Remuneration Amounts payable with respect to the Securities.
- (ii) In the event that the relevant Final Terms specify that the Remuneration Barrier Event is applicable and “No Interest Accrual for Remuneration Period” is applicable and a Remuneration Barrier Event occurs, no Remuneration Amount will be payable on the next following Remuneration Payment Date.

(M) *Remuneration Amount in respect of Securities relating to a Proprietary Index*

In the event that the relevant Final Terms specify that the Reference Item is a Proprietary Index and that “Remuneration Amount – Component Cash Flows” is applicable, notwithstanding any other provisions to the contrary in this Condition 21, the Remuneration Amount shall be with respect to each Security and a Remuneration Payment Date, an amount calculated by the Calculation Agent acting in good faith and in a commercially reasonable

manner equal to the sum of the weighted net cash flows (such weighting being equal to the weighting of the relevant Component ETFs in the relevant ETF Basket paid during the immediately preceding Rebalancing Period by the Component ETFs constituting the relevant Proprietary Index during the immediately preceding Rebalancing Period, net of any applicable taxes, costs, expenses, or redemption fees in respect of the immediately preceding Rebalancing Period.

(N) *Definitions*

"**30/360 (Floating)**" or "**360/360**" or "Bond Basis" means the number of days in the Remuneration 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Remuneration Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Remuneration Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30.

"**30E/360**" or "**Eurobond Basis**" means the number of days in the Remuneration 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Remuneration Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Remuneration Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

"30E/360 (ISDA)" means the number of days in the Remuneration 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<sub>1</sub>" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Remuneration Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Remuneration Period, unless (i) that day is the last day of February but not the Settlement Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

"**Actual/360**" means the actual number of days in the Remuneration Period divided by 360.

"**Actual/Actual**" or "**Actual/Actual (ISDA)**" means the actual number of days in the Remuneration Period in respect of which payment is being made divided by 365 (or, if any portion of that Remuneration Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Remuneration Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Remuneration Period falling in a non-leap year divided by 365).

**"Actual/365 (Fixed)"** means the actual number of days in the Remuneration Period in respect of which payment is being made divided by 365.

**"Banking Day(s)"** means a day which is both 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 London, Milan, Paris, New York and Luxembourg and a TARGET Settlement Day.

**"CMS"** means the constant maturity swap rate specified as such in the Final Terms.

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these Conditions or the relevant Final Terms.

**"EURIBOR"** means the Euro-zone interbank offered rate specified as such in the Final Terms.

**"Fixed Remuneration Amount"** has the meaning given to it in the relevant Final Terms.

**"ISDA Definitions"** means the 2006 ISDA Definitions as amended and updated as at the date of issue of the first Tranche of the Securities of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc., a copy of which is available on the website of the International Swaps and Derivatives Association, Inc. ([www.isda.org](http://www.isda.org)).

**"LIBID"** means the London interbank bid rate specified as such in the Final Terms.

**"LIBOR"** means the London interbank offered rate specified as such in the Final Terms.

**"LIMEAN"** means the London interbank mid-market rate specified as such in the Final Terms.

**"Linear Interpolation"** means the straight-line interpolation by reference to two rates based on the Reference Rate or the ISDA Rate, as the case may be, one of which will be determined as if the Specified Duration were the period of time for which rates are available next shorter than the length of the affected Interest Period and the other of which will be determined as if the Specified Duration or the Designated Maturity, as the case may be, were the period of time for which rates are available next longer than the length of such Interest Period.

**"Margin"** has the meaning given in the relevant Final Terms.

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is

selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

“**Rate Multiplier**” has the meaning given in the relevant Final Terms.

“**Rebalancing Period**” is the period from, and including, a Rebalance Date to, but excluding, the next following Rebalance Date, except that (a) the initial Rebalance Period will commence on, and include, the Issue Date and (b) the final Rebalance Period will end on, but exclude, the Exercise Date.

“**Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**Reference Banks**” means, the institutions specified as such in the relevant Final Terms or, if none, four (or, if the Relevant Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate.

“**Reference Price**” has the meaning given in the relevant Final Terms.

“**Reference Rate**” has the meaning given in the relevant Final Terms.

“**Reference Rate Multiplier**” has the meaning given in the relevant Final Terms.

“**Relevant Rate Screen Page**” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters) as may be specified as the Relevant Rate Screen Page in the relevant Final Terms for the purpose of providing a Reference Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Reference Rate.

“**Relevant Determination Time**” means, with respect to any Remuneration Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the relevant currency in the interbank market in the Relevant Financial Centre *provided that* if the relevant currency is Euro and the Benchmark is EURIBOR, the Relevant Determination Time shall be 11.00 am Brussels time.

“**Relevant Financial Centre**” means, with respect to any floating rate to be determined on a Remuneration Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Reference Rate is most closely connected or, if none is so connected, London.

“**Remuneration Amount**” means, in respect of each Certificate and each Remuneration Period, an amount calculated by the Calculation Agent as follows:

Notional Amount per Certificate x Remuneration Rate x Remuneration Rate Day Count Fraction.

**“Remuneration Barrier Event”** means the occurrence in relation to the Reference Item of one of the following events:

- (a) the Settlement Price is equal to and/or exceeds the Remuneration Barrier Level on a Remuneration Barrier Observation Date or at any time during the Remuneration Barrier Observation Period, as specified in the relevant Final Terms; or
- (b) the Settlement Price is equal to and/or falls below the Remuneration Barrier Level on a Remuneration Barrier Observation Date or at any time during the Remuneration Barrier Observation Period, as specified in the relevant Final Terms.

**“Remuneration Barrier Level”** has the meaning given in the Final Terms.

**“Remuneration Barrier Observation Date”** means the date indicated in the relevant Final Terms.

**“Remuneration Barrier Observation Period”** means the period indicated in the relevant Final Terms.

**“Remuneration Commencement Date”** means the Issue Date or such other date as may be specified in the relevant Final Terms.

**“Remuneration Determination Date”** has the meaning given to it in the Final Terms.

**“Remuneration Payment Date”** has the meaning given to it in the Final Terms.

**“Remuneration Period”** means the period commencing on (and including) the Remuneration Commencement Date to (but excluding) the first Remuneration Payment Date and each period commencing on (and including) an Remuneration Payment Date to (but excluding) the next following Remuneration Payment Date.

**“Remuneration Rate”** means the rate of interest (expressed as a percentage per annum) payable from time to time in respect of the Certificates and which is either specified, or calculated in accordance with the provisions in the relevant Final Terms and these Conditions.

**“Remuneration Rate Switch Date”** means the date specified as such in the relevant Final Terms.

**“Specified Duration”** means, with respect to any Floating Rate to be determined on an Interest Determination Date, the period specified in the relevant Final Terms.

**“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET or TARGET2) System or any successor thereto.

**“TARGET Settlement Day”** means any day on which the TARGET System is open.

## 2. SPECIFIC TERMS AND CONDITIONS OF CREDIT SECURITIES

The terms and conditions applicable to Credit Linked Certificates issued by the relevant Issuer shall comprise the Base Terms and Conditions set out in the previous section (the “**Base Conditions**”) and the specific terms and conditions set out below (the “**Credit Linked Conditions**”). In the event of any inconsistency between the Base Conditions and the Credit Linked Conditions, the Credit Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the Base Conditions and/or the Credit Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail.

### 1. FINAL CASH SETTLEMENT AMOUNT AND EXERCISE DATE

Base Conditions 19 (*Exercise of Certificates*) and 20 (*Physical Delivery Confirmation Notices and Settlement*) shall not apply and instead the provisions of this Credit Linked Condition 1 shall apply.

- a) Unless either (i) the Certificates have been previously exercised or purchased and cancelled, or (ii) the provisions of Credit Linked Condition 2 apply, the relevant Issuer will redeem each of the Certificates on the Exercise Date in an amount equal to its Final Cash Settlement Amount on the Exercise Date.
- b) The Calculation Agent may deliver an Extension Notice at any time prior to the Exercise Date in accordance with Credit Linked Condition 9(d). As soon as reasonably practicable after receiving an Extension Notice from the Calculation Agent, the relevant Issuer shall promptly inform the Fiscal Agent and the Certificateholders in accordance with Base Condition 8 (*Notices*).

### 2. REDEMPTION UPON THE OCCURRENCE OF A CREDIT EVENT

- a) If a Credit Event occurs during the Credit Observation Period and the Conditions to Settlement are satisfied, the relevant Issuer shall redeem each Certificate in whole or, if the Certificates are Linear Basket Credit Linked Certificates, in part as follows:
  - i) if (A) “Cash Settlement” is specified as the Settlement Basis in the applicable Final Terms or (B) “Cash or Physical Settlement” or “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms and Cash Settlement is elected by the relevant Issuer in the relevant Issuer Credit Event Notice (as defined below) or (C) “Cash Settlement” is specified as the Fallback Settlement Basis and the provisions of Credit Linked Condition 6 (Auction Settlement) requires that the relevant Issuer redeem the Credit Linked Certificates in accordance with Credit Linked Condition 4 (*Cash Settlement*), by payment on the Cash Settlement Date of the Cash Settlement Amount;
  - ii) if (A) “Physical Settlement” is specified as the Settlement Basis in the applicable Final Terms or (B) “Cash or Physical Settlement” or “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms and Physical Settlement is elected by the relevant Issuer in the relevant Issuer Credit Event Notice or (C) “Physical Settlement” is specified as the Fallback Settlement Basis and the provisions of Credit Linked Condition 6 (*Auction Settlement*) requires that the relevant Issuer redeem the Credit Linked Certificates in accordance with Credit Linked

Condition 5 (*Physical Settlement*), by Delivery of the Relevant Proportion of the Deliverable Obligation by the Physical Settlement Date;

- iii) if “Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms, by payment on the Auction Cash Settlement Date of the Auction Cash Settlement Amount;
  - iv) if “Cash or Physical Settlement” is specified as the Settlement Basis in the applicable Final Terms, as set out in sub-paragraph (i) or (ii) above at the option of the relevant Issuer in its sole and absolute discretion and notified to Certificateholders in the relevant Issuer Credit Event Notice;
  - v) if “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms, as set out in sub-paragraph (i), (ii) or (iii) above at the option of the relevant Issuer in its sole and absolute discretion and notified to Certificateholders in the relevant Issuer Credit Event Notice,
- b) Upon discharge by the relevant Issuer of such payment or delivery obligation on the Cash Settlement Date or the Auction Cash Settlement Date (or, if the Cash Settlement Amount or the Auction Cash Settlement Amount is zero, upon the occurrence of the Cash Settlement Date or the Auction Cash Settlement Date) or by the Physical Settlement Date, as the case may be, or otherwise as provided herein, the relevant Issuer’s obligations in respect of the Certificates shall be discharged to the extent provided in these Credit Linked Conditions.
- c) If a Credit Event occurs during the Credit Observation Period and the Conditions to Settlement are not satisfied, the relevant Issuer may elect to redeem each of the Certificates in an amount equal to its Final Cash Settlement Amount on either (i) the date which is three Business Days following the Conditions to Settlement End Date (the “**Final Payment Date**”) or subject as provided in this Credit Linked Condition 2 in the event that the Conditions to Settlement are satisfied with respect to such Credit Event or any other Credit Event which may occur during the Credit Observation Period (ii) if the Exercise Date is later than the Final Payment Date, on the Exercise Date (in which case remuneration (if applicable) shall continue to accrue from the date on which remuneration ceased to accrue in accordance with Credit Linked Condition 9, any such accrued but unpaid remuneration being payable on the Remuneration Payment Date next following the Final Payment Date and to be paid in accordance with the Base Conditions) and the relevant Issuer shall, as soon as reasonably practicable give notice of such election to the Fiscal Agent and the Certificateholders in accordance with Base Condition 8 (*Notices*).
- d) If the applicable Final Terms or Issuer Credit Event Notice specifies that Cash Settlement shall apply then the provisions of Credit Linked Condition 4 (*Cash Settlement*) shall apply, if Physical Settlement is so specified then the provisions of Credit Linked Condition 5 (*Physical Settlement*) shall apply and if Auction Settlement is so specified then the provisions of Credit Linked Condition 6 (*Auction Settlement*) shall apply.

### 3. NOTICES

- a) In accordance with these Credit Linked Conditions, the entity specified as the relevant Notifying Person specified in the Final Terms may deliver a Credit Event Notice and (if applicable) a Notice of Publicly Available Information at any time on or prior to the

Conditions to Settlement End Date and the relevant Issuer shall, as soon as reasonably practicable after receipt of a Credit Event Notice (or having sent a Credit Event Notice, as applicable), give notice (the “**Issuer Credit Event Notice**”) to the Fiscal Agent and the Certificateholders in accordance with Base Condition 8 (*Notices*) that a Credit Event Notice has been delivered with respect to the Credit Linked Certificates and shall in such notice, if “Cash or Physical Settlement” or “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms, specify whether it elects to redeem the Certificates by Cash Settlement, Physical Settlement or Auction Settlement (in case of “Cash or Physical Settlement or Auction Settlement”) (and the applicable Fallback Settlement Basis) or by Cash Settlement or Physical Settlement (in case of “Cash or Physical Settlement”).

- b) Where the Certificates are Nth-to-Default Credit Linked Certificates, the Calculation Agent may give a Credit Event Notice and (if applicable) a Notice of Publicly Available Information in respect of a Credit Event having occurred in relation to any of the Reference Entities (whether or not such Credit Event is the first to occur). If a Credit Event occurs with respect to more than one Reference Entity on the same day, the Calculation Agent shall in its sole discretion select which Reference Entity shall be deemed to be subject to the Credit Linked Conditions, if any.
- c) In the case of a Credit Linked Certificate where “Physical Settlement” is specified as the Settlement Basis, the relevant Final Terms will provide that a Notice of Physical Settlement must be delivered by the relevant Issuer to the Fiscal Agent and the Certificateholders in accordance with Base Condition 8 (*Notices*) prior to the relevant date set out in the Notice of Physical Settlement Condition to Settlement (the “**Physical Determination Date**”). For purposes of determining whether such Notice of Physical Settlement has been so delivered by the Physical Determination Date, the effective date of delivery of the initial Notice of Physical Settlement (whether or not the relevant Notice of Physical Settlement is subsequently changed in accordance with Credit Linked Condition 5(a)) shall be used.
- d) Where Restructuring is specified in the relevant Final Terms as being an applicable Credit Event, there may be more than one Credit Event Determination Date in respect of the same Reference Entity as further described in Credit Linked Condition 11 (*Restructuring Credit Event*) below. In addition, in the case of a Basket Credit Linked Certificate, there may be multiple Credit Event Determination Dates but, other than as set out in the preceding sentence, only one Credit Event Determination Date in respect of each Reference Entity. In the case of a Basket Credit Linked Certificate, a Credit Event Determination Date in respect of more than one Reference Entity may occur on any one date. The provisions set out in these Credit Linked Conditions set out the mechanics that apply in respect of one Reference Entity and shall apply severally to each Reference Entity for a Basket Credit Linked Certificate.
- e) Where Repudiation/Moratorium and/or Failure to Pay is specified in the relevant Final Terms as being an applicable Credit Event, the Calculation Agent may give an Extension Notice in respect of a Potential Repudiation/Moratorium and/or Failure to Pay.
- f) Any Credit Event Notice, Notice of Publicly Available Information, Notice of Physical Settlement or Extension Notice, as the case may be, delivered on or prior to 5:00 p.m. (Milan

time) on a Business Day is effective on such date and if delivered after such time or on a day that is not a Business Day, is deemed effective on the next following Business Day.

#### 4. CASH SETTLEMENT

- a) Subject to Credit Linked Condition 7 (*Suspension Terms*) and Credit Linked Condition 8 (*Reversals and Adjustments to Credit Event Determination Dates*), if (i) “Cash Settlement” is specified as the Settlement Basis in the applicable Final Terms or (ii) “Cash or Physical Settlement” or “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms and (Cash Settlement is elected by the relevant Issuer in the relevant Issuer Credit Event Notice) or (iii) “Cash Settlement” is specified as the Fallback Settlement Basis and the provisions of Credit Linked Condition 6 (*Auction Settlement*) requires that the relevant Issuer redeem the Credit Linked Certificates in accordance with this Credit Linked Condition 4 (*Cash Settlement*), on the Cash Settlement Date the relevant Issuer shall, subject as aforesaid, redeem, in the case of Certificates that are not Linear Basket Credit Linked Certificates, each Certificate in whole or, in the case of Certificates that are Linear Basket Credit Linked Certificates, a portion of the principal amount of each Certificate equal to the Applicable Redemption Proportion, by payment of the Cash Settlement Amount.
- b) The Cash Settlement Amount in respect of each Certificate shall be the amount specified as such in the applicable Final Terms (which may be a *pro rata* share of the Recovery Amount) or, if no such amount is specified, an amount determined by the Calculation Agent to be the greater of (a) zero and (b) an amount equal to (i) the Applicable Redemption Proportion multiplied by (ii) the outstanding principal amount of such Certificate multiplied by (iii) the Final Price of the Reference Obligation(s), provided that if the applicable Final Terms specify that “Hedge Unwind Adjustment” shall apply, then the Cash Settlement Amount or Recovery Amount, as the case may be, shall be adjusted upwards or downwards to reflect the *pro rata* Hedge Unwind Costs. Payment by the relevant Issuer of the Cash Settlement Amount shall fully and effectively discharge the relevant Issuer’s obligation to redeem the Applicable Redemption Proportion of the relevant Certificate.
- c) If the Cash Settlement Amount is to be determined by reference to the Final Price of the Reference Obligation(s), such Final Price shall be determined in accordance with the Valuation Method specified in the applicable Final Terms, or, if no such Valuation Method is specified, the Final Price shall be determined (i) with respect to one Reference Obligation and one Valuation Date, in accordance with the “Market” Valuation Method; (ii) with respect to one Reference Obligation and more than one Valuation Date, in accordance with the “Average Market” Valuation Method; (iii) with respect to more than one Reference Obligation and one Valuation Date, in accordance with the “Blended Market” Valuation Method; or (iv) with respect to more than one Reference Obligation and more than one Valuation Date, in accordance with the “Average Blended Market” Valuation Method.
- d) Unless otherwise specified in the relevant Final Terms, the Calculation Agent may select in its sole discretion, in respect of each Defaulted Credit any Valuation Date falling on or after the Credit Event Determination Date and on or before the one hundred and twenty-fifth (125<sup>th</sup>) Business Day following the Credit Event Determination Date relating to such Defaulted

Credit. The Calculation Agent will select as a Valuation Date a day falling on or before the seventy-second (72<sup>nd</sup>) Business Day following the Credit Event Determination Date unless it determines in good faith that material problems exist in the market place in delivering obligations of the relevant Reference Entity under credit default swap contracts, in which case it may select a Valuation Date falling after the seventy-second (72<sup>nd</sup>) Business Day, but not later than the one hundred and twenty-fifth (125<sup>th</sup>) Business Day, after such date.

## 5. PHYSICAL SETTLEMENT

a) Subject to Credit Linked Condition 7 (*Suspension Terms*) and Credit Linked Condition 8 (*Reversals and Adjustments to Credit Event Determination Dates*), if (i) “Physical Settlement” is specified as the Settlement Basis in the applicable Final Terms or (ii) “Cash or Physical Settlement” or “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms (and Physical Settlement is elected by the relevant Issuer in the relevant Issuer Credit Event Notice) or (iii) “Physical Settlement” is specified as the Fallback Settlement Basis and the provisions of Credit Linked Condition 6 (*Auction Settlement*) requires that the relevant Issuer redeem the Credit Linked Certificates in accordance with this Credit Linked Condition 5 (*Physical Settlement*), the relevant Issuer shall, on or before the Physical Determination Date, deliver to the Fiscal Agent and the Certificateholders in accordance with Base Condition 12 (*Notices*) a Notice of Physical Settlement. The Issuer may serve subsequent Notices of Physical Settlement to change one or more of the Deliverable Obligations and/or the detailed description of the Deliverable Obligations at any time on or prior to the Physical Settlement Date and the last Notice of Physical Settlement served within this period shall override all previous such notices. The Issuer may correct any errors or inconsistencies in the detailed description of the Deliverable Obligations by notice to the Fiscal Agent and the Certificateholders at any time prior to the Delivery Date. Unless otherwise specified in the applicable Final Terms, the amount of the Deliverable Obligation(s) in respect of the Certificates shall be determined as follows:

i) where the Deliverable Obligation(s) constitute Borrowed Money, the Deliverable Obligations (selected by the relevant Issuer in its sole and absolute discretion and notified to Certificateholders in the relevant Notice of Physical Settlement) shall have an aggregate outstanding principal balance (including accrued but unpaid interest (as determined by the Calculation Agent if “Include Accrued Interest” is specified in the applicable Final Terms, but excluding accrued but unpaid interest if “Exclude Accrued Interest” is specified in the applicable Final Terms, and if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified in the applicable Final Terms, excluding accrued but unpaid interest) equal to:

(A) if the Certificates are not Linear Basket Credit Linked Certificates, the Aggregate Nominal Amount of the Certificates outstanding as at the related Event Determination Date; or

(B) if the Certificates are Linear Basket Credit Linked Certificates, the Related Nominal Amount of the relevant Reference Entity to which the Credit Event relates; or

- ii) where the Deliverable Obligation(s) are not Borrowed Money, the Deliverable Obligations (selected by the relevant Issuer in its sole and absolute discretion and notified to Certificateholders in the relevant Notice of Physical Settlement) shall have a Due and Payable Amount (or the equivalent Currency Amount of any such amount), equal to:
  - (A) if the Certificates are not Linear Basket Credit Linked Certificates, the Aggregate Nominal Amount of the Certificates outstanding as at the related Event Determination Date; or
  - (B) if the Certificates are Linear Basket Credit Linked Certificates, the Related Nominal Amount of the relevant Reference Entity to which the Credit Event relates.
  
- b) On or prior to the Physical Settlement Date the relevant Issuer shall, subject to Credit Linked Condition 5(c) and Credit Linked Condition 7 (*Suspension Terms*), redeem, in the case of Certificates that are not Linear Basket Certificates, each Certificate in whole or, in the case of the Certificates that are Linear Basket Credit Linked Certificates, a portion of the principal amount of each Certificate equal to the Applicable Redemption Proportion, by Delivering to each Certificateholder the Relevant Proportion of the Deliverable Obligation(s). In the event that the relevant Issuer, for any reason whatsoever, is unable to effect delivery of the Relevant Proportion of the Deliverable Obligation(s) to any Certificateholder by the Physical Settlement Date, the relevant Issuer may continue to attempt such Delivery for an additional sixty (60) Business Days after the Physical Settlement Date. Subject to Credit Linked Condition 5(f), failure by the relevant Issuer to Deliver to a Certificateholder the Relevant Proportion of the Deliverable Obligation(s) on or prior to the date that is sixty (60) Business Days after the Physical Settlement Date shall not constitute an Event of Default under the Base Conditions. Delivery of the Relevant Proportion of the Deliverable Obligation(s) by the relevant Issuer pursuant to this Credit Linked Condition 5 (and/or payment of any amounts in connection therewith pursuant to Credit Linked Condition 5(f) and/or 5(i)) shall fully and effectively discharge the relevant Issuer's obligation to redeem the Applicable Redemption Proportion of the relevant Certificate.
  
- c) In order to obtain Delivery of the Relevant Proportion of the Deliverable Obligation(s), each Certificateholder must deliver to the relevant Issuer or the Paying Agent within five Business Days of the date of delivery of the initial Notice of Physical Settlement (or any subsequent Notice of Physical Settlement, as the case may be) (each such date, a "**Physical Settlement Cut-Off Date**") (i) a duly completed Asset Transfer Notice in accordance with Credit Linked Condition 5(h), the form of which may be obtained from the specified office of the relevant Issuer or the Paying Agent and (ii) in the case of a holding of a Definitive Security, the Note (which expression shall, for the purposes of this Credit Linked Condition 5(c), include Certificate(s), Receipt(s) and, if applicable, all unmatured Coupons and unmatured and unexchanged Talons). In the event that the Certificate is represented by a Global Security, an Asset Transfer Notice must be delivered to the relevant Issuer via the relevant clearing system, by such method of delivery as the relevant clearing system shall have approved or such other method as may be specified in the relevant Final Terms.

- d) After delivery of a valid Asset Transfer Notice, no transfers of the Certificates specified therein which are represented by a Global Security may be effected by any relevant clearing system.
- e) Upon receipt of a duly completed Asset Transfer Notice and, in the case of Definitive Certificates, the Certificate to which such notice relates, the relevant Issuer, any relevant clearing system or the Paying Agent, as the case may be, shall verify that the person specified therein as the accountholder, is the Holder of the Certificate referred to therein according to its books.

Subject as provided herein, in relation to each Certificate, the Relevant Proportion of the Deliverable Obligation(s) will be Delivered to the relevant Certificateholder at the risk of such Certificateholder.

If the Asset Transfer Notice (and with respect to Definitive Certificates, the relevant Certificate) are delivered to the relevant Issuer or the Paying Agent (as the case may be) later than 5:00 p.m. close of business in Milan on the relevant Physical Settlement Cut-Off Date, then the Relevant Proportion of the Deliverable Obligation(s) will be Delivered as soon as practicable after the date on which Delivery of the same would otherwise be made, at the risk of such Certificateholder in the manner provided above. For the avoidance of doubt, such Certificateholder shall not be entitled to any payment or to other assets, whether in respect of interest or otherwise, in the event of the Delivery of the Relevant Proportion of the Deliverable Obligation(s) taking place after the date on which Delivery of the same would otherwise be made pursuant to the provisions of this Credit Linked Condition 5(e) or otherwise due to circumstances beyond the control of the relevant Issuer.

If the relevant Certificateholder fails to deliver an Asset Transfer Notice in the manner set out herein or delivers an Asset Transfer Notice on any day falling after the day that is one hundred and eighty (180) calendar days after the Physical Settlement Cut-Off Date or, in the case of Definitive Certificates, fails to deliver the Certificate related thereto or fails to pay the Delivery Expenses and, if applicable, the Hedge Unwind Costs as referred to in Credit Linked Condition 5(j), the relevant Issuer shall be discharged from its obligations in respect of such Certificate and shall have no further obligation or liability whatsoever in respect thereof.

- f)
  - i) If due to an event beyond the control of the relevant Issuer it is impossible, impracticable or illegal, or if by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, it is impossible or impracticable, for the relevant Issuer to Deliver, or due to an event beyond the control of any Certificateholder or its designated nominee, it is impossible, impracticable or illegal, or if by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, it is impossible or impracticable, for such Certificateholder or its designated nominee to accept Delivery of all, or a portion of, the Relevant Proportion of the Deliverable Obligation(s) by the Physical Settlement Date (including, without limitation, failure of the relevant clearing system or due to any law, regulation or court order, but not including market conditions or failure to obtain any requisite consent

with respect to the Delivery of Loans) then by such date the relevant Issuer or the Certificateholder, as applicable, shall provide a description in reasonable detail of the facts giving rise to such impossibility, impracticability or illegality or of the force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or act of state, and the relevant Issuer shall Deliver and such Certificateholder or its designated nominee shall take Delivery of that portion (if any) of the Relevant Proportion of the Deliverable Obligation(s) for which it is possible, practicable and legal to take Delivery. As soon as possible thereafter, the relevant Issuer shall Deliver and such Certificateholder, its originally designated nominee or any new designated nominee shall take Delivery of the remaining portion of the Relevant Proportion of the Deliverable Obligation(s).

ii) If:

(A) following the occurrence of any impossibility, impracticability or illegality, force majeure event or act of state, referred to in sub-paragraph (i) above, all of the Relevant Proportion of the Deliverable Obligation(s) is not Delivered on or prior to the Latest Permissible Physical Settlement Date (such part of the Relevant Proportion of the Deliverable Obligation(s) that are not Delivered being “**Undeliverable Obligations**”); or

(B) all or a portion of the Relevant Proportion of the Deliverable Obligation(s) includes Assignable Loans or Consent Required Loans that, due to the non-receipt of any requisite consents, are not, by the Physical Settlement Date, capable of being assigned or novated to any relevant Certificateholder or its nominee and such consents are not obtained or deemed to have been given by the Latest Permissible Physical Settlement Date (such loan obligations being “**Undeliverable Loan Obligations**”); or

(C) all or a portion of the Relevant Proportion of the Deliverable Obligation(s) includes Direct Loan Participations and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date (such participations being “**Undeliverable Participations**”),

then Partial Cash Settlement pursuant to sub-paragraph (iii) below shall be deemed to apply with respect to that portion of the Deliverable Obligation(s) that cannot be Delivered for the reasons specified in (A) to (C) above.

iii) On the Partial Cash Settlement Date, the relevant Issuer shall pay to each relevant Certificateholder, the Partial Cash Settlement Amount and upon discharge by the relevant Issuer of such payment obligation on the Partial Cash Settlement Date, the relevant Issuer’s obligations in respect of the relevant Certificate shall be discharged.

g) If, in accordance with Credit Linked Condition 5(d), (e) and (f) above, the Relevant Proportion of the Deliverable Obligation(s) is Delivered later than the Physical Settlement

Date, then until Delivery of the Relevant Proportion of the Deliverable Obligation(s) is made to the relevant Certificateholder, the relevant Issuer or any person holding such assets on behalf of the relevant Issuer shall continue to be the legal owner of those assets. None of the relevant Issuer and any such other person shall (i) be under any obligation to deliver or procure delivery to such Certificateholder or any subsequent transferee any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such assets, (ii) be under any obligation to exercise or procure the exercise of any or all rights (including voting rights) attaching or appertaining to such assets until the date of Delivery or (iii) be under any liability to such Certificateholder or subsequent transferee for any loss, liability, damage, cost or expense that such Certificateholder or subsequent transferee may sustain or suffer as a result, whether directly or indirectly, of that person not being the legal owner of such assets until the date of Delivery.

- h) An Asset Transfer Notice is, subject as provided below, irrevocable and must:
- i) specify the account details or name of the person to whom Delivery of the Relevant Proportion of the Deliverable Obligation(s) is to be made;
  - ii) specify the nominal amount of Certificates or, in the case of Certificates that are Linear Basket Credit Linked Certificates, the Applicable Redemption Proportion of such Certificates, and the number of Certificates which are the subject of such notice;
  - iii) in the event such Certificates are represented by a Global Security:
    - (A) specify the number of the Certificateholder's account at the relevant clearing system to be debited with such Certificates; and
    - (B) irrevocably instruct and authorise the relevant clearing system to debit the relevant Certificateholder's account with such Certificates or, in the case of Certificates that are Linear Basket Credit Linked Certificates, the Applicable Redemption Proportion of such Certificates, on the due date for redemption of the Certificates;
  - iv) authorise the production of such notice in any applicable administrative or legal proceedings; and
  - v) unless otherwise specified in the applicable Final Terms, specify the manner in which Delivery Expenses and Hedge Unwind Costs, if applicable, will be borne by the Certificateholders in accordance with Credit Linked Condition 5(j).

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant clearing system or a Paying Agent, as the case may be, as provided above, save where subsequent to such receipt, the relevant Issuer delivers an amended Notice of Physical Settlement, in which case, the relevant Certificateholder may deliver an amended Asset Transfer Notice. After delivery of the first Asset Transfer Notice, the relevant Certificateholder may not transfer the Certificates which are the subject of such notice.

Failure properly to complete and deliver an Asset Transfer Notice and, in the case of Definitive Certificates, to deliver the relevant Certificate, 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 Credit Linked Conditions shall be made by the relevant Issuer, Paying Agent and/or relevant clearing system, as applicable, in its sole and absolute discretion and shall be conclusive and binding on the relevant Certificateholder.

If any Certificateholder fails to properly complete and deliver an Asset Transfer Notice, the relevant Issuer may in its sole discretion, decide whether to waive the requirement to deliver a properly completed Asset Transfer Notice prior to the relevant Physical Settlement Cut-Off Date for physical delivery in order for such Certificateholder to receive the Relevant Proportion of the Deliverable Obligation(s), and shall give notice of such waiver to the relevant clearing system and to the Paying Agent, and other Agent, as applicable.

- i) If the Relevant Proportion of the Deliverable Obligation(s) comprises less than a multiple of a whole number of the Deliverable Obligation(s) at the relevant time, then (i) the relevant Issuer shall not Deliver and the relevant Certificateholder shall not be entitled to receive in respect of its Certificates that fraction of an asset which is less than a whole number (the “**Fractional Entitlement**”) and (ii) the relevant Issuer shall pay to the relevant Certificateholder a cash amount (to be paid at the same time as Delivery of the Relevant Proportion of the Deliverable Obligation(s)) equal to the market value (as determined by the Calculation Agent in its sole and absolute discretion) of such Fractional Entitlement.
- j) The costs and expenses including any stamp, registration documentation or similar tax and any transfer or similar fee (the “**Delivery Expenses**”) of effecting any Delivery of the Relevant Proportion of the Deliverable Obligation(s) and, if the applicable Final Terms specify that “Hedge Unwind Adjustment” shall apply, a *pro rata* share of the Hedge Unwind Costs, shall, in the absence of any provision to the contrary in the applicable Final Terms, be borne by the Certificateholder and shall, unless otherwise specified in the applicable Final Terms, at the option of each Certificateholder as specified in the Asset Transfer Notice either be:
  - i) paid to the relevant Issuer by such Certificateholder prior to the Delivery of the Relevant Proportion of the Deliverable Obligation(s) (and, for the avoidance of doubt, the relevant Issuer shall not be required to Deliver any portion of the Deliverable Obligation(s) to such Certificateholder until it has received such payment); or
  - ii) deducted by the relevant Issuer from the amount which may be payable to such Certificateholder in accordance with Credit Linked Condition 5(i).

If there is not a cash amount owing from the relevant Issuer under such Certificate to a Certificateholder sufficient to cover the Delivery Expenses and, if applicable, its *pro rata* share of the Hedge Unwind Costs, the relevant Issuer may convert such amount of the Relevant Proportion of the Deliverable Obligation(s) into cash sufficient to cover the Delivery Expenses and, if applicable, a *pro rata* share of the Hedge Unwind Costs, in respect of such Certificate from which the relevant Issuer shall deduct such amounts. Each Certificate will then be redeemed by delivery of the remaining portion of the Deliverable Obligation(s) in respect of such Certificate and, if applicable, payment of a cash amount in respect of any Fractional Entitlement arising, together with any other amounts to which such Certificateholder is entitled upon redemption of such Certificate.

- k) The Issuer shall not be under any obligation to register or procure the registration of any Certificateholder or any other person as the registered holder of any of the Deliverable Obligation(s) to be delivered in the register of members or holders of debt securities of any company whose securities form part of the Deliverable Obligation(s). The Issuer shall not be obliged to account to any Certificateholder for any entitlement received or receivable in respect of any of the Deliverable Obligation(s) to be delivered if the date on which such are first traded without such entitlement is on or prior to the date of Delivery. The Issuer shall determine, in its sole and absolute discretion, the date on which such assets are so first traded without any such entitlement.

## 6. AUCTION SETTLEMENT

- a) Subject to Credit Linked Condition 7 (*Suspension Terms*) and Credit Linked Condition 8 (*Reversals and Adjustments to Credit Event Determination Dates*), if (i) “Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms or (ii) “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms (and Auction Settlement is elected by the relevant Issuer in the relevant Issuer Credit Event Notice), on the Auction Cash Settlement Date the relevant Issuer shall, subject as aforesaid, redeem, in the case of Certificates that are not Linear Basket Certificates, each Certificate in whole or, in the case of the Certificates that are Linear Basket Credit Linked Certificates, a portion of the principal amount of each Certificate equal to the Applicable Redemption Proportion, by payment of the Auction Cash Settlement Amount.
- b) The Auction Cash Settlement Amount in respect of each Certificate shall be the amount specified as such in the applicable Final Terms or, if no such amount is specified, an amount determined by the Calculation Agent to be the greater of (a) zero and (b) an amount equal to (i) the Applicable Redemption Proportion multiplied by (ii) the outstanding principal amount of such Certificate multiplied (iii) by the Auction Final Price, provided that if the applicable Final Terms specify that “Hedge Unwind Adjustment” shall apply, then the Auction Cash Settlement Amount shall be adjusted upwards or downwards to reflect the pro rata Hedge Unwind Costs. Payment by the relevant Issuer of the Auction Cash Settlement Amount shall fully and effectively discharge the relevant Issuer’s obligation to redeem the Applicable Proportion of the relevant Certificate.
- c) Without prejudice to the foregoing, but without duplication of settlement, if the Calculation Agent determines:
- i) except where the relevant Issuer delivers a Notice to Exercise Movement Option to the Calculation Agent on or prior to the Movement Option Cut-off Date, that with respect to a Credit Event, no Applicable Auction is being, or will be, held; or
  - ii) with respect to a Credit Event and any relevant Applicable Request, Applicable Resolution and/or Applicable Auction, that (A) an Auction Cancellation Date has occurred, (B) a No Auction Announcement Date has occurred (and, in circumstances where such No Auction Announcement Date occurs pursuant to sub-paragraph (b) of the definition of No Auction Announcement Date, the relevant Issuer has not exercised the Movement Option), (C) ISDA has publicly announced that a relevant Credit Derivatives Determinations Committee has Resolved, following a relevant

Credit Event Resolution Request Date, not to determine the matters described in the definitions of Credit Event Resolution Request Date, (D) a Credit Event Determination Date was determined pursuant to sub-paragraph (a) of the definition of Credit Event Determination Date and no relevant Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Credit Event Determination Date, or (E) a Credit Event Determination Date was determined pursuant to sub-paragraph (b)(ii)(B) of the definition of Credit Event Determination Date,

then the relevant Issuer shall, subject to the occurrence of a Credit Event on any day during the Credit Observation Period and satisfaction of the Conditions to Settlement on or prior to the Conditions to Settlement End Date, notwithstanding that Auction Settlement is specified as applicable in the relevant Final Terms, redeem each Certificate in accordance with Credit Linked Condition 4 (if Cash Settlement is specified in the relevant Final Terms as the Fallback Settlement Basis) or in accordance with Credit Linked Condition 5 (if Physical Settlement is specified in the relevant Final Terms as the Fallback Settlement Basis).

- d) If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and the Calculation Agent determines in respect of a Restructuring Credit Event that a No Auction Announcement Date has occurred pursuant to subparagraph (b) of the definition of No Auction Announcement Date, the relevant Issuer may elect in its sole and absolute discretion to deliver a Notice to Exercise Movement Option to the Calculation Agent at any time on or prior to the Movement Option Cut-off Date. If a Notice to Exercise Movement Option is so delivered, then provided the related Credit Event Determination Date is not reversed on or prior to the relevant Auction Cash Settlement Date, the Certificates shall be redeemed on the Auction Cash Settlement Date at their Auction Cash Settlement Amount, for which purposes the Auction Cash Settlement Date and the Auction Cash Settlement Amount shall be determined by reference to the relevant Parallel Auction identified by the relevant Issuer in the Notice to Exercise Movement Option. If a Notice to Exercise Movement Option is delivered by the relevant Issuer, all references in these Credit Linked Conditions to “Applicable Auction”, “Applicable Auction Settlement Terms”, “Auction Cancellation Date”, “Auction Final Price Determination Date” and “Auction Settlement Date” shall be deemed to be references to the “Parallel Auction”, “Parallel Auction Settlement Terms”, “Parallel Auction Cancellation Date”, “Parallel Auction Final Price Determination Date” and “Parallel Auction Settlement Date” and the terms of these Credit Linked Conditions shall be construed accordingly.

## 7. **SUSPENSION TERMS**

If, following the determination of a Credit Event Determination Date in accordance with subparagraph (a) of the definition of Credit Event Determination Date but prior to the relevant Final Payment Date, Cash Settlement Date, Physical Settlement Date, a Delivery Date or, to the extent applicable, a Valuation Date, as applicable, the relevant Issuer determines that a Suspension Event has occurred, the timing requirements relating to Notices of Physical Settlement and the timing requirements of Credit Linked Conditions 1 to 5 (inclusive), as applicable, or any other provision of

these Credit Linked Conditions and the Certificates that pertains to redemption and settlement, shall toll and remain suspended until the Suspension Event Cessation Date. During such suspension period, the relevant Issuer is not obliged to take any action in connection with the redemption and settlement of the Certificates. 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 Credit Linked Condition 7. Without prejudice to any amounts payable pursuant to Credit Linked Condition 8 (*Reversals and Adjustments to Credit Event Determination Dates*), no additional amounts shall be payable by the relevant Issuer in connection with any such suspension.

## 8. REVERSALS AND ADJUSTMENTS TO CREDIT EVENT DETERMINATION DATES

- a) Notwithstanding anything to the contrary in these Credit Linked Conditions, no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that the Calculation Agent determines that, prior to the relevant Auction Final Price Determination Date in respect of an Applicable Auction, a related Valuation Date, any relevant Physical Settlement Date (or, if earlier a Delivery Date), or any other relevant date relating to the redemption of the Certificates, as applicable, an Applicable DC No Credit Event Announcement occurs with respect to the relevant Reference Entity or Obligation thereof.
- b) If, following the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of a Reference Entity, the related Credit Event Determination Date is deemed to have occurred on a date that is earlier than the date originally determined to be the Credit Event Determination Date for the purposes of the Certificate as a result of the application of the definition of Credit Event Determination Date and/or any Applicable Request or Applicable Resolution then:
  - i) if the Certificates are exercised pursuant to Credit Linked Condition 4 (*Cash Settlement*) or Credit Linked Condition 6 (*Auction Settlement*), an amount equal to the relevant Adjustment Amount (if any) shall be deducted to the fullest extent possible from the relevant Cash Settlement Amount or Auction Cash Settlement Amount, as applicable; or
  - ii) if the Certificates are exercised pursuant to Credit Linked Condition 5 (*Physical Settlement*), the Adjustment Amount (if any) shall be deemed to be a Delivery Expense for the purposes of Credit Linked Condition 5(j).
- c) Without prejudice to Credit Linked Condition 6(c), if an Applicable DC No Credit Event Announcement occurs following the determination of a Credit Event Determination Date but prior to the related Auction Final Price Determination Date in respect of an Applicable Auction, a related Valuation Date, any related Physical Settlement Date (or, Delivery Date if earlier), or any other relevant date relating to the redemption of the Certificates, as applicable, then the Credit Event Determination Date originally determined for the purposes of the Certificates shall be deemed not to have occurred (an “**Credit Event Determination Date**

**Reversal**”). The occurrence of a Credit Event Determination Date Reversal shall not prejudice the occurrence or determination of any subsequent Credit Event Determination Date(s) in relation to the relevant Reference Entity (if applicable). Notwithstanding Credit Linked Condition 9, if a Credit Event Determination Date Reversal occurs, each Certificate shall recommence to accrue remuneration (in accordance with the Base Conditions) from the Remuneration Payment Date (the “**Remuneration Recommencement Date**”) immediately following the relevant Applicable DC No Credit Event Announcement, and an amount equal to the Additional Remuneration Amount shall be payable on such Remuneration Recommencement Date.

## 9. **REMUNERATION PAYMENT DATE AND EXERCISE DATE POSTPONEMENT**

- a) If Remuneration Payment Date Postponement is specified as being applicable in the Final Terms and in respect of any Remuneration Payment Date (including the Exercise Date):
- i) a Credit Event Determination Date has occurred on or prior to the relevant Remuneration Payment Cut-off Date, remuneration shall cease to accrue on (but excluding) the date of such occurrence, such accrued remuneration being payable on the Cash Settlement Date, Physical Settlement Date or Auction Cash Settlement Date, as the case may be (and no amount of remuneration otherwise payable on the relevant Remuneration Payment Date shall be due or payable), provided that in the event that the Certificates are Linear Basket Credit Linked Certificates, remunerations shall cease to accrue only on the relevant Applicable Proportion of the Notional Amount of each Certificate; and
  - ii) an Uncured Default exists on the relevant Remuneration Payment Cut-off Date, the remuneration payment payable on the relevant Remuneration Payment Date shall be suspended and either (as applicable):
    - (x) if, after the relevant Remuneration Payment Cut-off Date, a Default Correction Date occurs in respect of any such Uncured Default, (subject to paragraph (i) above) the suspended amount of remuneration which would have been payable on such Remuneration Payment Date in the absence of such Uncured Default shall be payable on the Deferred Remuneration Payment Date and no additional amount shall be due in respect of any such delay in payment; or
    - (y) if a Failure to Pay subsequently occurs on or prior to the Extension Date, remuneration shall be deemed to have ceased to accrue on (but excluding) the date of such occurrence, such accrued remuneration being payable on the Cash Settlement Date, Physical Settlement Date or Auction Cash Settlement Date, as the case may be (and no amount of remuneration which would otherwise have been payable in the absence of such Uncured Default shall be due or payable), provided that in the event that the Certificates are Linear Basket Credit Linked Certificates, remuneration shall be suspended or deemed to cease to accrue only on the relevant Applicable Proportion of the Notional Amount of each Certificate.
- b) If, an Applicable Request in respect of a Credit Event is made on or prior to any Remuneration Payment Cut-off Date or the Exercise Date in respect of which an Applicable Resolution has not been published, the payment of remuneration (if any) scheduled to be paid to Certificateholders on the relevant Remuneration Payment Date (including the Exercise

Date), will be suspended, provided that in the event that the Certificates are Linear Basket Credit Linked Certificates, remuneration shall be suspended only on the relevant Applicable Proportion of the Notional Amount of each Certificate. If in connection with such Applicable Request either (i) an Applicable DC Credit Event Announcement is made but the Calculation Agent determines that the Credit Event Determination Date relating thereto is a date falling after such Remuneration Payment Date (including the Exercise Date), or (ii) an Applicable DC No Credit Event Announcement is made, payment of the suspended remuneration will be made five Business Days after the date in respect of which the Credit Event Determination Date is so determined or the date of Applicable DC No Credit Event Announcement, as applicable. If in connection with such Applicable Request, an Applicable DC Credit Event Announcement is made and the Calculation Agent determines that the Credit Event Determination Date relating thereto is a date falling on or prior to such Remuneration Payment Date or the Exercise Date, no payment of the suspended remuneration will be made.

- c) No additional amount in respect of remuneration and no adjustment shall be made to the amount of any remuneration in connection with the delay or postponement of any payment of remuneration pursuant to Credit Linked Conditions 9(a) and (b) above. The Issuer shall endeavour to give notice to the Certificateholders in accordance with Base Condition 8 (*Notices*) as soon as reasonably practicable should any payment of remuneration be suspended and/or postponed pursuant to this Credit Linked Condition 9. Notwithstanding any other provisions, no remuneration shall accrue after the Exercise Date.
- d) Unless otherwise specified in the applicable Final Terms, if, on or prior to the Exercise Date, the Calculation Agent determines that:
  - i) a Credit Event has occurred or may occur on or prior to the Exercise Date;
  - ii) Repudiation/Moratorium is listed as a Credit Event in the applicable Final Terms and “Repudiation/Moratorium Exercise Date Postponement” is stated as being applicable in the applicable Final Terms, a Potential Repudiation/Moratorium has occurred or may occur on or prior to the Exercise Date; and/or
  - iii) Failure to Pay is listed as a Credit Event in the applicable Final Terms and a Potential Failure to Pay has occurred or may occur on or prior to the Exercise Date; and/or
  - iv) an Applicable Request has been made on or prior to the Exercise Date in respect of which an Applicable Resolution has not been published; and

in each case, the Conditions to Settlement in respect of the above have not been satisfied as at the Exercise Date (each such event an “**Exercise Date Postponement Event**”), the Calculation Agent may deliver an Extension Notice to the relevant Issuer (and the relevant Issuer shall endeavour to give notice to the Certificateholders in accordance with Base Condition 8 (*Notices*) as soon as reasonably practicable following receipt of such Extension Notice) and the Exercise Date shall be postponed to the Extended Exercise Date, subject to the provisions of Credit Linked Conditions 2 and 9(f).

- e) The payments of any accrued but unpaid remuneration scheduled to be paid on the Exercise Date will not be paid and shall be postponed pursuant to the foregoing provided that in the event that the Certificates are Linear Basket Credit Linked Certificates, remuneration shall be

postponed only on the relevant Applicable Proportion of the Notional Amount of each Certificate. No adjustment shall be made to the amount of any remuneration as a result of any such delay as described in Credit Linked Condition 9(d) above.

- f) In the circumstances described in Credit Linked Condition 9(d) above, if a Credit Event occurs during the Credit Observation Period and the Conditions to Settlement are satisfied (subject to Credit Linked Condition 8 (*Reversals and Adjustments to Credit Event Determination Dates*)), each Certificate shall be redeemed pursuant to Credit Linked Conditions 4, 5 or 6, as applicable. If the Conditions to Settlement are not satisfied during the Credit Observation Period and no other relevant Exercise Date Postponement Event(s) are outstanding, each Certificate shall be redeemed at its Final Cash Settlement Amount on the Final Payment Date.
- g) For the purposes of this Credit Linked Condition 9, an Exercise Date Postponement Event will be deemed to be outstanding on any date, if the relevant period in which the Conditions to Settlement may occur or in which a Credit Event Determination Date may be reversed has not expired.

#### 10. **SUCCESSION EVENT**

- a) With respect to any Reference Entity (other than a Sovereign Reference Entity), 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, which entity or entities qualifies as a Successor 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 the definitions of “Successor”, in sub-paragraph (a) of the definition of “Succession Event Resolution Request Date” and subparagraph (b)(i) of the definition of “Succession Event Resolution Request Date”, 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 for purposes of the certain credit derivative transactions has occurred, and in each case the Calculation Agent determines that such resolution is an Applicable Resolution. In calculating the percentages used to determine whether the relevant thresholds set forth in the definition of “Successor” have been met, or which entity qualifies under sub-paragraph a)(vi) of such definition, the Calculation Agent shall use, with respect to each applicable Relevant Obligation included in such calculation, the amount of the liability with respect to such Relevant Obligation listed in the Best Available Information and shall notify the relevant Issuer of such calculation. A copy of the notice of any determination of a Successor shall be given to Certificateholders in accordance with Base Condition 8 (*Notices*).
- b) With respect to any Sovereign Reference Entity, 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, which Sovereign and/or entity or entities qualifies as a Successor provided that the Calculation Agent will not make such determination if, at such time, either (i) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraph (b) of the definition of “Successor” and sub-paragraphs (a) and (b)(ii) of the definition of “Succession Event Resolution Request Date” 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 (ii) 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. A copy of the notice of any determination of a Successor shall be given to Certificateholders in accordance with Base Condition 8 (*Notices*).

c) Where the Certificates are Single Name Credit Linked Certificates:

- i) Where a Succession Event has occurred and more than one Successor has been identified by the Calculation Agent, each such Successor will be deemed to be a Reference Entity for the purposes of the Certificates, and to the extent applicable, the Calculation Agent shall apportion any outstanding principal amounts or any other relevant calculation amounts equally in relation to each Successor.
- ii) Where a Credit Event occurs in respect of a Reference Entity after such a Succession Event, the provisions of the relevant Credit Linked Conditions shall be deemed to apply to the principal amount represented by that Reference Entity only (the “**Partial Principal Amount**”) and all such provisions shall be construed accordingly. Each Certificate shall thereafter be redeemed in part (such redeemed part being equal to the relevant proportion of the Partial Principal Amount).
- iii) The Certificates shall be deemed to be redeemed *pro rata* in an amount equal to the Partial Principal Amount only. The Certificates in an amount equal to the outstanding principal amount of the Certificates less the Partial Principal Amount shall remain outstanding (the “**Remaining Amount**”) and remuneration shall accrue on the Remaining Amount as provided for in the Base Conditions and the applicable Final Terms (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).
- iv) The provisions of these Credit Linked Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any of the other Reference Entities that are identified as a result of the Succession Event.

d) Where the Certificates are Basket Credit Linked Certificates:

- i) Where a Succession Event has occurred in respect of a Reference Entity and more than one Successor has been identified, each Successor will be the Reference Entity (each a “**Successor Reference Entity**”) for the purposes of the Certificates, for the avoidance of doubt, such Reference Entity shall no longer be a Reference Entity.

- ii) Following the occurrence of a Succession Event, upon the satisfaction of the Conditions to Settlement with respect to any of the Reference Entities unaffected by a Succession Event, the Remaining Amount of the Certificates will be redeemed in accordance with the provisions of these Credit Linked Conditions relating to Basket Credit Linked Certificates.
  - iii) Where a Credit Event occurs in respect of a Successor Reference Entity, the provisions of these Credit Linked Conditions shall be deemed to apply to the Partial Principal Amount of the relevant Successor Reference Entity and all the provisions shall be construed accordingly. Each Certificate shall thereafter be redeemed in a proportion equal to the relevant proportion which the Partial Principal Amount forms of the aggregate outstanding principal amount of the Certificates as of the Issue Date.
  - iv) Following a partial redemption of the Certificates pursuant to sub-paragraph (iii) above, remuneration shall accrue on the remaining outstanding principal amount of the Certificates equal to the aggregate outstanding principal amount immediately prior to the redemption as provided for in these Credit Linked Conditions (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).
  - v) The provisions of these Credit Linked Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any Reference Entities following the occurrence of a Succession Event. For the avoidance of doubt, the provisions of this Credit Linked Condition 7(b) shall apply to each Succession Event.
- e) Where the Certificates are First-to-Default Credit Linked Certificates, Nth-to-Default Credit Linked Certificates or Linear Basket Credit Linked Certificates:
- i) Where a Succession Event has occurred in respect of a Reference Entity (each such Reference Entity and any Reference Entity previously the subject of a Succession Event, a “**Succession Event Reference Entity**” and the Reference Entities unaffected by such Succession Event or any previous Succession Event, the “**Non-Succession Event Reference Entities**”) and more than one Successor has been identified by the Calculation Agent, each such Successor will be deemed to be a Reference Entity for the purposes of the Certificates (each a “**Successor Entity**”) and, to the extent applicable, the Calculation Agent shall apportion any outstanding principal amounts or any other relevant calculation amounts equally in relation to each Successor Reference Entity.
  - ii) Following the occurrence of a Succession Event, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will cause the Certificates to be redeemed in full in accordance with the provisions of these Credit Linked Conditions; provided that, in the case of Nth-to-Default Credit Linked Certificates, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will only cause the Certificates to be redeemed in full as aforesaid where such Non-Succession Event Reference Entity is the Nth Reference Entity with respect to which the Conditions to Settlement have been satisfied.

- iii) Where a Credit Event occurs in respect of a Successor Reference Entity, the relevant provisions of these Credit Linked Conditions shall be deemed to apply to the Partial Principal Amount of the Certificates represented by the relevant Successor Reference Entity only; provided that, in the case of Nth -to-Default Credit Linked Certificates, that such Successor Reference Entity is the Nth Reference Entity with respect to which the Conditions to Settlement have been satisfied, and all the provisions shall be construed accordingly. Subject as aforesaid, the Certificates shall thereafter be redeemed in a proportion equal to the relevant proportion which the Partial Principal Amount forms of the aggregate outstanding principal amount of the Certificates as of the Issue Date.
- iv) Subject as provided in Credit Linked Condition 9 (*Remuneration Date and Exercise Date Postponement*), following a partial redemption of the Certificates pursuant to sub-paragraph (iii) above, remuneration shall accrue on the remaining outstanding principal amount of the Certificates immediately following the partial redemption as provided for in the Base Conditions and these Credit Linked Conditions (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).
- v) The provisions of these Credit Linked Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any other Successor Reference Entities formed as a result of one or more Succession Events and/or any of the Non-Succession Event Reference Entities. For the avoidance of doubt, the provisions of this Credit Linked Condition 10(e)(v) shall apply to each Succession Event.
- f) Where the effect of the foregoing provisions would be to specify a Reference Entity more than once with respect to the Certificates, that Reference Entity shall be deemed to be specified only once.
- g) Save as otherwise provided in the applicable Final Terms, where any Reference Entity (the “**Surviving Reference Entity**”) (other than a Reference Entity that is subject to a Succession Event) would be a Successor to any other Reference Entity (the “**Legacy Reference Entity**”) pursuant to a Succession Event through the application of the foregoing provisions, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity.
- h) Save as otherwise provided in the applicable Final Terms, in the event that (x) the relevant Issuer becomes a Successor to any Reference Entity as a result of the application of the foregoing provisions, (y) the relevant Issuer and any Reference Entity become Affiliates or (z) the relevant Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all its assets to, a Reference Entity or the relevant Issuer (as applicable), then the relevant Issuer shall forthwith give notice of such circumstance to Certificateholders in accordance with Base Condition 8 (*Notices*). In such event, the relevant Issuer may, but shall not be obliged to, on giving not more than thirty (30) nor less than fifteen (15) days’ notice to Certificateholders in accordance with Base Condition 8 (*Notices*) (the “**Seller Merger Notice**”), redeem all but not some of the Certificates at the Early Redemption Amount specified in the Seller Merger Notice.

- i) The applicable Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Certificateholders and the Certificateholders are deemed to agree to this provision by the purchase of the Certificates.
- j) If one or more of the Successors to the Reference Entity have not assumed the Reference Obligation (if any) specified in the applicable Final Terms, the Calculation Agent may select a Substitute Reference Obligation in accordance with the definition of “Substitute Reference Obligation”.
- k) Any determinations under each of sub-paragraphs (a) to (g) above and any determinations under the Final Terms connected with or as a result of a Succession Event or otherwise shall be made by the Calculation Agent in its sole discretion and in good faith and, in the absence of manifest error, shall be conclusive and binding on all parties.

#### 11. **RESTRUCTURING CREDIT EVENT**

- a) Where (i) Restructuring is specified in the applicable Final Terms as being an applicable Credit Event; (ii) either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and (iii) a Restructuring Credit Event occurs, unless otherwise specified in such Final Terms, the relevant Issuer may deliver multiple Credit Event Notices with respect to such Credit Event, each such Credit Event Notice setting forth the amount of the aggregate outstanding principal amount of the Certificates or, if the Certificates are Linear Basket Credit Linked Certificates, of the Related Nominal Amount in respect of the relevant Reference Entity, as applicable, to which such Credit Event Notice relates (the “**Exercise Amount**”). If the relevant Credit Event Notice does not specify an Exercise Amount, then the aggregate outstanding principal amount of the Certificates outstanding immediately prior to the delivery of such Credit Event Notice or, if the Certificates are Linear Basket Credit Linked Certificates, the Related Nominal Amount in respect of the relevant Reference Entity immediately prior to the delivery of such Credit Event Notice, as applicable, will be deemed to have been specified as the Exercise Amount. Notwithstanding anything to the contrary in these Credit Linked Conditions, where a Restructuring Credit Event has occurred and the relevant Issuer has delivered a Credit Event Notice for an amount that is less than the aggregate outstanding principal amount of the Certificates immediately prior to the delivery of such Credit Event Notice, the provisions of these Credit Linked Conditions shall be deemed to apply to a principal amount equal to the Exercise Amount only and all the provisions shall be construed accordingly. Each such Certificate shall be redeemed in part (such redeemed part being equal to the relevant proportion of the Exercise Amount). The Exercise Amount shall be subject to any minimum Exercise Amount specified in the relevant Final Terms.
- b) The Certificates shall be deemed to be redeemed *pro rata* in an amount equal to the Exercise Amount only. The Certificates in an amount equal to the aggregate outstanding principal amount of the Certificates (immediately prior to the redemption thereof) less the Exercise Amount shall remain outstanding (the “**Outstanding Amount**”) and remuneration shall accrue on the Outstanding Amount as provided for in the Base Conditions, these Credit Linked

Conditions and the applicable Final Terms (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).

- c) In respect of any subsequent Credit Event Notices delivered in respect of the Reference Entity that was the subject of the Credit Event Notice referred to above:
  - i) the Exercise Amount in connection with a Credit Event Notice describing a Credit Event other than a Restructuring Credit Event must be equal to the then outstanding principal amount of the Certificates at such time (and not a portion thereof); and
  - ii) the Exercise Amount in connection with a Credit Event Notice describing a Restructuring Credit Event must be an amount that is at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units) in which the Certificates are denominated or any integral multiple thereof or the entire then outstanding principal amount of the Certificates at such time.
- d) For the avoidance of doubt, in the case of a First-to-Default Credit Linked Certificate, once a Restructuring Credit Event has occurred in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the first occurring Restructuring Credit Event. In the case of an N<sup>th</sup>-to-Default Credit Linked Certificate, if a Restructuring Credit Event has occurred in respect of the N<sup>th</sup> Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the N<sup>th</sup> Reference Entity. In the case of a Linear Basket Credit Linked Certificate, the fact that a Restructuring Credit Event has occurred in respect of a Reference Entity shall not preclude delivery of a Credit Event Notice in respect of any other Reference Entity.
- e) If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be specified in the Notice of Physical Settlement and may be included in the Deliverable Obligations only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.
- f) If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be specified in the Notice of Physical Settlement and may be included in the Deliverable Obligations 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.
- g) If the provisions of this Credit Linked Condition 11 apply in respect of the Certificates, on redemption of part of each such Certificate, the relevant Certificate or, if the Certificates are represented by a Global Security, such Global Security shall be endorsed to reflect such partial redemption.

## 12. THE CALCULATION AGENT

The Calculation Agent shall be responsible for making all relevant determinations as set out in these Credit Linked Conditions and as applicable in the relevant Final Terms.

The Calculation Agent shall, as soon as practicable after obtaining any Quotation (if applicable), notify the Certificateholders in writing of each such Quotation that it receives in connection with the calculation of the Final Price and shall provide to the Certificateholders a written computation showing its calculation of the Final Price.

Neither the Calculation Agent nor the relevant Issuer shall have any responsibility to the Certificateholders for good faith errors or omissions in the Calculation Agent's calculations and determinations as provided in the Base Conditions and in these Credit Linked Conditions, whether caused by negligence or otherwise.

When determining the existence or occurrence of any Potential Failure to Pay, Potential Repudiation/Moratorium or any Credit Event as specified in the relevant Final Terms, the Calculation Agent shall make such determination based on the occurrence of an event whether or not the occurrence of the relevant event arises directly or indirectly from or is subject to a defence based upon (a) any lack or alleged lack of authority or capacity of the relevant Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor or Insured Obligor, as the case may be, to enter into any Underlying Obligation or Insured Instrument, as the case may be, (b) any actual or alleged unenforceability, illegality, impossibility, invalidity, force majeure event or act of state, with respect to any Obligation or, as applicable, any Underlying Obligation or Insured Instrument, as the case may be, 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.

### 13. MODIFICATIONS TO THE FINAL TERMS

For the purposes of Credit Linked Certificates, where a Transaction Type is specified in the Final Terms in respect of any Reference Entity, then the provisions of these Terms shall apply with respect to such Reference Entity in accordance with the Physical Settlement Matrix as it applies to such Transaction Type, as though such Physical Settlement Matrix were set out in full in the Final Terms.

### 14. DEFINITIONS

For the purposes of these Credit Linked Conditions, the following words shall have the following meaning:

**“2005 Matrix Supplement”** means the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions as published by ISDA on 7 March 2005 in effect on the Issue Date.

**“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.

**“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 Remuneration Amount”** means an amount in the Settlement Currency determined by the Calculation Agent in respect of each Certificate equal to the sum of:

- a) each amount of remuneration that would have been payable in respect of each Certificate, but for the operation of Credit Linked Condition 9 (*Remuneration Payment Date and Exercise Date Postponement*) and the original determination of the Credit Event Determination Date, on each Remuneration Payment Date falling after the date originally determined to be the Credit Event Determination Date, to and including the Remuneration Recommencement Date; and
- b) remuneration accrued on each such amount on a daily basis at the applicable Overnight Rate as determined by the Calculation Agent for the period from, and including, the Remuneration Payment Date on which the relevant amount of remuneration that would have been paid but for the operation of Credit Linked Condition 9 (*Remuneration Payment Date and Exercise Date Postponement*) and the original determination of the Credit Event Determination Date to, but excluding, the Remuneration Recommencement Date. For the avoidance such interest will be compounded on a daily basis.

**“Adjustment Amount”** means an amount in the Settlement Currency determined by the Calculation Agent in respect of each Certificate equal to the sum of:

- a) each amount of remuneration in respect of each Certificate that would not have been paid (if any) on any Remuneration Payment Date to Certificate holders had the earlier Credit Event Determination Date been the date originally determined as the Credit Event Determination Date; and
- b) remuneration accrued on each such amount on a daily basis at the applicable Overnight Rate as determined by the Calculation Agent for the period from, and including, the Remuneration Payment Date on which the relevant interest amount was paid to, but excluding, the date on which the Certificates are redeemed. For the avoidance such remuneration will be compounded on a daily basis.

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

**“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) and/or Deliverable Obligation(s) under the Certificates (for which purpose the Calculation Agent may take into account

(a) the credit derivatives transaction(s), credit event, reference entity, obligations and deliverable obligations to which the Auction relates and if the Auction relates to a Restructuring Credit Event, the exercise date of the Certificates and the scheduled termination date of the credit derivatives transactions covered by the Auction and the maturity date of the deliverable obligations to which the Auction relates, and (b) any credit hedging transaction that the relevant Issuer has entered or may enter into in connection with the Certificates).

**“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 Certificates (for which purpose the Calculation Agent may take into account (a) 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 Certificates and (b) any credit hedging transaction that the relevant Issuer has entered or may enter into in connection with the Certificates). The Calculation Agent shall, as soon as practicable after the relevant Applicable Credit Derivatives Auction Settlement Terms are published, notify the relevant 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 Certificateholders at the specified office of the Paying Agents.

**“Applicable DC Credit Event Announcement”** means a DC Credit Event Announcement which the Calculation Agent determines is relevant to the Certificates (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof to which such DC Credit Event Announcement relates and the terms of the Certificates and (b) any credit hedging transaction that the relevant Issuer has entered or may enter into in connection with the Certificates). An Applicable DC Credit Event Announcement will be deemed not to have occurred with respect to the Certificates unless (i) the relevant Credit Event Resolution Request Date relating to the DC Credit Event Announcement and the relevant Credit Event was, in the determination of the Calculation Agent, an Applicable Request which occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Issue Date) and (ii) the Issue Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

**“Applicable DC No Credit Event Announcement”** means a DC No Credit Event Announcement which the Calculation Agent determines is relevant to the Certificates (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC No Credit Event Announcement and the Credit Events, Reference Entities and Obligations thereof under the Certificates and (b) any credit hedging transaction that the relevant Issuer has entered or may enter into in connection with the Certificates).

**“Applicable Redemption Proportion”** means in respect of a redemption of a Certificate and a Credit Event:

- a) if the Certificate is not a Linear Basket Credit Linked Certificate, 100 per cent.;

- b) if the Certificate is a Linear Basket Credit Linked Certificate, an amount (expressed as a percentage) equal to the Related Nominal Amount of the Reference Entity to which the Credit Event relates divided by the Aggregate Nominal Amount of the Certificates outstanding as of the related Event Determination Date.

**“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 or Succession Event Resolution Request Date, as applicable, which the Calculation Agent determines is relevant to the Certificates (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, succession 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 Certificates and (b) any credit hedging transaction that the relevant Issuer has entered or may enter into in connection with the Certificates).

**“Applicable Resolution”** means a Resolution of a Credit Derivatives Determinations Committee which the Calculation Agent determines is relevant to the Certificates (for which purpose the Calculation Agent may take into account (a) 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 Certificates and (b) any hedging transaction that the relevant Issuer has entered or may enter into in connection with the Certificates).

**“Applicable Transaction Auction Settlement Terms”** means, with respect to a Reference Entity and a Credit Event, the relevant Credit Derivatives Auction Settlement Terms which the Calculation Agent determines constitute Applicable Credit Derivatives Auction Settlement Terms.

**“Asset Transfer Notice”** means a notice that complies with Credit Linked Condition 5(h), issued by a Certificateholder to the relevant Issuer, in connection with a redemption of any Certificate wholly or in part by way of Physical Settlement.

**“Assignable Loan”** means a Loan that is capable of being assigned or novated to any third party or, 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.

**“Auction”** means, with respect to a Reference Entity and a Credit Event, unless otherwise specified in the Applicable Transaction Auction Settlement Terms, 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, unless otherwise specified in the relevant Applicable Transaction Auction Settlement Terms, 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 Applicable Transaction Auction Settlement Terms.

**“Auction Cash Settlement Amount”** means, in respect of each Certificate, the amount determined in accordance with Credit Linked Condition 6 (*Auction Settlement*).

**“Auction Cash Settlement Date”** means the second 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 relevant Issuer.

**“Auction Final Price”** means, with respect to an Applicable Auction, unless otherwise specified in the relevant Applicable Transaction Auction Settlement Terms, the price (expressed as a percentage) in respect of the deliverable obligations which would constitute Reference Obligation(s) and/or Deliverable Obligation(s) under the Certificates determined to be the Auction Final Price in accordance with the relevant Applicable Transaction 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 Certificateholders at the specified office of the Paying Agent a copy of the relevant Applicable Transaction Auction Settlement Terms and copies of the relevant publication of the Auction Final Price.

**“Auction Final Price Determination Date”** means, with respect to an Applicable Auction, the day, if any, on which the Auction Final Price is determined or such other date as specified in the relevant Applicable Transaction Auction Settlement Terms.

**“Auction Settlement Date”** means the date that is the number of Business Days specified in the relevant Applicable Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the relevant Auction Final Price Determination Date.

**“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.

**“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.

**“Average Highest”** means, with respect to the Reference Obligation on each Valuation Date, the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to such Reference Obligation on each such date.

**“Average Market”** means, with respect to the Reference Obligation on each Valuation Date, the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to such Reference Obligation on each such date.

**“Bankruptcy”** means, with respect to a Reference Entity, such 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 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 judgement 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 judgement of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-

up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive); or (i) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“**Basket Credit Linked Certificate**” means Credit Linked Certificates where the relevant Issuer purchases credit protection from the Certificateholders in respect of two or more Reference Entities.

“**Best Rate Currency**” means the best of the rates of exchange obtained by the Calculation Agent from three Quotation Dealers equal to the rate of conversion of the currency of the Deliverable Obligation into the Settlement Currency, provided that if none of the Quotation Dealers make a firm quote, then such rate of exchange shall be determined by the Calculation Agent.

“**Blended Highest**” means with respect to each Reference Obligation on the relevant Valuation Date the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each such Reference Obligation on such date.

“**Blended Market**” means, with respect to each Reference Obligation on the relevant Valuation Date, the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each such Reference Obligation on such date.

“**Bond**” means any obligation of a type included in the definition of “**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.

“**Bond or Loan**” means any obligation that is either a Bond or a Loan.

“**Borrowed Money**” means any obligation (whether present or future, contingent or otherwise) 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).

“**Business Day**” means (i) a day on which commercial banks and foreign exchange markets settle payments and are open in Milan, (ii) a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET or TARGET2) System or any successor thereto is open, and (iii) any additional city or cities specified in the applicable Final Terms.

“**Cash Settlement Amount**” means, in respect of each Certificate, the amount determined in accordance with Credit Linked Condition 4 (*Cash Settlement*).

**“Cash Settlement Date”** means the date that is three Business Days (or such other number of Business Days specified in the applicable Final Terms) following the calculation of the Final Price.

The **“Conditions to Settlement”** shall be deemed to be satisfied in full by the occurrence of a Credit Event Determination Date to the extent that such Credit Event Determination Date is not subsequently reversed prior to the Auction Final Price Determination Date, a Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), as applicable, unless **“Physical Settlement”** is specified as the Settlement Basis in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Basis), in which case all of the Conditions to Settlement shall be deemed to be satisfied by the satisfaction of the Notice of Physical Settlement Condition to Settlement on or following the occurrence of a Credit Event Determination Date. For the avoidance of doubt, if a Credit Event Determination Date is subsequently reversed prior to the relevant Auction Final Price Determination Date, a Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), the Conditions to Settlement shall not be deemed to have been satisfied with respect to the related Credit Event and Reference Entity for the purposes of these Credit Linked Conditions. Where the Certificates are First-to- Default Credit Linked Certificates, the Conditions to Settlement shall apply solely to one Reference Entity, which shall be the first Reference Entity with respect to which a Credit Event Determination Date occurs. Where the Certificates are N<sup>th</sup> -to-Default Credit Linked Certificates, the Conditions to Settlement shall apply solely to the N<sup>th</sup> Reference Entity with respect to which a Credit Event Determination Date occurs.

Where the Certificates are Linear Basket Credit Linked Certificates, the Conditions to Settlement may be satisfied and an Event Determination Date may occur in respect of each Reference Entity, provided that, other than in respect of a Restructuring, the Conditions to Settlement shall apply only once to each such Reference Entity.

**“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.

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 relevant Issuer.

**“Conditions to Settlement End Date”** means the later of (i) the last day of the period described in sub-paragraph (a) of the definition of Credit Event Determination Date, and (ii) the last day of the

latest of the periods described in the definition of Notice of Physical Settlement Conditions to Settlement, if applicable.

“**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.

“**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 any Credit Derivatives Auction Settlement Terms published by ISDA in accordance with the Rules, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules.

“**Credit Derivatives Determinations Committees**” means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Rules.

“**Credit Event**” means, as determined by the Calculation Agent, the occurrence of any or any combination of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as specified in the applicable Final Terms, determined on the basis of Publicly Available Information 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: (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, invalidity, force majeure event or act of state, 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 restriction imposed by any monetary or other authority, however described.

“**Credit Event Backstop Date**” means:

- a) for the purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in sub-paragraph (ii) of the definition thereof) as determined by a DC Resolution, provided such DC Resolution is an Applicable Resolution, 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) otherwise, the date that is 60 calendar days prior to the earlier of:

- i) the first date on which 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 relevant Issuer to the Calculation Agent and are effective during the Notice Delivery Period; and
- ii) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules in relation to an Applicable Request, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, provided that such Resolution is an Applicable Resolution and (III) 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 relevant 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.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**“Credit Event Determination Date”** means with respect to a Credit Event:

- a) subject to sub-paragraph (b) of this definition, if neither an Applicable DC Credit Event Announcement nor an Applicable DC No Credit Event Announcement has occurred, 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 relevant Issuer to the Calculation Agent and are effective during either:
  - i) the Notice Delivery Period; or
  - ii) the period (A) from, and including, the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date and the Calculation Agent determines that such Resolution constitutes an Applicable Resolution and (B) to, and including, the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date in respect of an Applicable Request occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Issue Date)); or
- b) notwithstanding sub-paragraph (a) of this definition, if an Applicable DC Credit Event Announcement has occurred as determined by the Calculation Agent, either:
  - i) the Credit Event Resolution Request Date (in respect of the relevant Applicable Request as determined by the Calculation Agent), if either:
    - (A) each of the following apply:

- (1) “Credit Event Determination Date Version A” is specified in the applicable Final Terms;
  - (2) the relevant Credit Event is not a Restructuring; and
  - (3) either (y) if “Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms, the Trade Date occurs on or prior to the Auction Final Price Determination Date in respect of an Applicable Auction, the Auction Cancellation Date in respect of an Applicable Auction, or the date that is 21 calendar days following the No Auction Announcement Date and the Calculation Agent determines that such announcement is an Applicable Announcement, if any, as applicable; or (z) if “Auction Settlement” is not specified as the Settlement Basis in the applicable Final Terms, the Issue Date occurs on or prior to the relevant Applicable DC Credit Event Announcement; or
- (B) each of the following apply:
- (1) either (y) “Credit Event Determination Date Version B” is specified in the applicable Final Terms or (z) the relevant Credit Event is a Restructuring; and
  - (2) the Credit Event Notice is delivered by the relevant Issuer to the Calculation Agent and is effective on or prior to the relevant Exercise Cut-off Date; or
- ii) the first date on which the Credit Event Notice is delivered by the relevant Issuer to the Calculation Agent and is effective during the Notice Delivery Period or the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant Applicable DC Credit Event Announcement to, and including, the date that is fourteen calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Issue Date) and is an Applicable Request as determined by the Calculation Agent), if either:
- A) each of the following apply:
- (1) “Credit Event Determination Date Version A” is specified in the applicable Final Terms;
  - (2) the relevant Credit Event is not a Restructuring;
  - (3) “Auction Settlement” is not specified as the Settlement Basis in the applicable Final Terms; and
  - (4) the Issue Date occurs following the relevant Applicable DC Credit Event Announcement; or
- B) each of the following apply:

- (1) “Credit Event Determination Date Version B” is specified in the applicable Final Terms; and
- (2) either (y) “Auction Settlement” is not specified as the Settlement Basis in the applicable Final Terms; or (z) if “Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms, the Credit Event Notice is delivered by the relevant Issuer to the Calculation Agent and is effective on a date that is later than the relevant Exercise Cut-off Date,

provided that, in the case of this sub-paragraph (b):

- (1) no Physical Settlement Date, if applicable, or Cash Settlement Date, Auction Cash Settlement Date has occurred on or prior to the date on which the Applicable DC Credit Event Announcement occurs;
- (2) if any Valuation Date or Delivery Date, as applicable, has occurred as of the date on which the Applicable DC Credit Event Announcement occurs, a Credit Event Determination Date shall be deemed to have occurred only with respect to the portion of the aggregate outstanding principal amount of the Certificates outstanding or the Related Nominal Amount outstanding in respect of the Reference Entity to which such Event Determination Date relates, if any, with respect to which no Valuation Date or Delivery Date, as applicable, has occurred; and
- (3) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the relevant Issuer to the Calculation Agent, (aa) unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date or (bb) unless, and to the extent that, the Exercise Amount specified in any such Credit Event Notice was less than the aggregate outstanding principal amount of the Certificates then outstanding or, in the case of Linear Basket Credit Linked Certificates, the Related Nominal Amount in respect of the relevant Reference Entity.

“**Credit Event Notice**” means an irrevocable notice (which may be oral if communicated by telephone) from the relevant entity specified as the Notifying Party in the Final Terms that describes a Credit Event that occurred on or after the Credit Observation Start Date and on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). The Credit Event Notice shall 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.

“**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:

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

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the Rules, of publicly available information with respect to the DC Resolutions referred to in (a) and (b) above.

“**Credit Linked Certificate**” means a Certificate which is linked to the credit of one or more Reference Entities.

“**Credit Observation Period**” means the period from the Credit Observation Start Date to the Extension Date (both dates inclusive).

“**Credit Observation Start Date**” means the date specified in the applicable Final Terms, provided that if no date is so specified, the Credit Observation Start Date shall mean (i) in connection with a Credit Event, the earlier to occur of the Issue Date and the Credit Event Backstop Date with respect to such Credit Event and (ii) in connection with a Succession Event, the earlier to occur of the Issue Date and the Succession Event Backstop Date with respect to such Succession Event, as applicable.

“**Currency Amount**” means, whenever an amount is denominated in a currency other than the Settlement Currency and is specified in these Credit Linked Conditions to be determined by reference to a Currency Amount, such amount converted to the Settlement Currency using the Best Rate Currency.

“**DC Credit Event Announcement**” means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved that (a) an event that constitutes a Credit Event has occurred with respect to such Reference Entity (or an Obligation thereof) and the Calculation Agent determines that such Resolution is an Applicable Resolution relevant to the Certificates and (b) the Calculation Agent determines that such event occurred on or after the relevant Credit Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

“**DC No Credit Event Announcement**” means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, that the event that is the subject of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a Credit Event with respect to such Reference Entity (or an Obligation thereof).

“**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 Correction Date**” means with respect to an Uncured Default: the day (if any) on which Publicly Available Information exists confirming that a Potential Failure to Pay has been cured and ceases to exist, as determined by the Calculation Agent, provided that such Potential Failure to Pay is cured within the originally applicable grace period prior to the expiry of which such debt is not

capable of being declared due and payable, and provided that such cure occurs before a Credit Event as a result of a Failure to Pay occurs.

“**Default Requirement**” means the amount as may be specified as such in the applicable Final Terms or its equivalent in the Obligation Currency or, if a Default Requirement is not so specified in the applicable Final Terms, U.S.\$ 10,000,000 or its equivalent in the relevant Obligation Currency, in each case as of the occurrence of the relevant Credit Event.

“**Defaulted Credit**” means, on any day, each Reference Entity in respect of which a Credit Event Determination Date has occurred.

“**Deferred Remuneration Payment Date**” means, in respect of a Default Correction Date, the day falling five Business Days following such Default Correction Date.

“**Deliver**” means, with respect to the Relevant Proportion of the Deliverable Obligation(s), 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 Obligation(s) (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Relevant Proportion of the Deliverable Obligation(s) to the Certificateholder 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 forth in sub-paragraphs (a) to (d) of 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 (A) to the extent that the Deliverable Obligation(s) consist of Direct Loan Participations, “**Deliver**” shall mean the creation (or procurement of the creation) of a participation in favour of the relevant Certificateholder and (B) to the extent that the Deliverable Obligation(s) consist of Qualifying Guarantees, “**Deliver**” shall mean to Deliver both the Qualifying Guarantee and the Underlying Obligation. “**Delivery**” and “**Delivered**” shall be construed accordingly.

“**Deliverable Obligation**” means (a) any obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applying in the applicable Final Terms) described by the Deliverable Obligation Category specified in the applicable Final Terms (but excluding any Excluded Deliverable Obligation) and, subject to Credit Linked Condition 5 (*Physical Settlement*), having one or more of the Deliverable Obligation Characteristics 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 and (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in sub-paragraphs (a) to (d) of the definition of “Credit Event” above) or right of set off by or of a Reference Entity or any applicable Underlying Obligor) and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, 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) each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Deliverable Obligation; and, if such Reference Obligation is a Convertible Obligation or an Exchangeable Obligation provided that 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, and (c) any other obligation of a Reference Entity specified as such in the applicable Final Terms.

**“Deliverable Obligation Category”** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, as specified in the applicable Final Terms (each as defined herein, except that, for the purpose of determining Deliverable Obligation(s), the definition of Reference Obligations Only shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).

**“Deliverable Obligation Characteristics”** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, as specified in the applicable Final Terms.

**“Delivery Date”** means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

**“Delivery Expenses”** shall have the meaning specified in Credit Linked Condition 5(j).

**“Direct Loan Participation”** means a Loan in respect of which, pursuant to a participation agreement, the relevant Issuer is capable of creating, or procuring the creation of a contractual right in favour of the Certificateholder that provides such Certificateholder 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 such Certificateholder and either (a) the relevant Issuer (to the extent the relevant 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).

**“Domestic Currency”** means the currency specified as such in the applicable Final Terms and any successor currency. If no currency is so specified, 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 relevant 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.

**“Due and Payable Amount”** means 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).

**“Eligible Transferee”** means:

- a) any:
  - (i) bank or other financial institution;
  - (ii) insurance or reinsurance company;
  - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); and
  - (iv) registered or licensed broker or dealer (other than a natural person or proprietorship),  
provided, however, in each case that such entity has total assets of at least USD 500,000,000;
- b) an Affiliate of an entity specified in the preceding clause (a) of this definition;
- 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 USD 100,000,000 or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD 100,000,000;
  - (ii) that has total assets of at least USD 500,000,000; 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-paragraph (a), (b), (c)(ii) or (d) of this definition; and/or
- d) a Sovereign, Sovereign Agency or Supranational Organization.

**“Enabling Obligation”** means an outstanding Deliverable Obligation that (i) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (ii) has a final maturity date occurring on or prior to the Scheduled Observation End Date and following the Limitation Date immediately preceding the Scheduled Observation End Date (or, in circumstances where the Scheduled Observation End Date occurs prior to the 2.5-year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any).

**“Entity Type”** means, unless otherwise specified in the Final Terms for the purposes of the application of the Transaction Type Standard Terms to the Certificates, each Reference Entity designated as one of the following in the Final Terms:

- a) European Corporate Entity;
- b) European Insurance Corporate Entity (Subordinated Debt);
- c) European Emerging Markets Corporate Entity;
- d) Australian and New Zealand Corporate Entity;
- e) Japanese Corporate Entity;

- f) Singaporean Corporate Entity;
- g) Asian Corporate Entity;
- h) North American Investment Grade Corporate Entity;
- i) North American High Yield Corporate Entity;
- j) North American Monoline Insurer Corporate Entity;
- k) Latin American Corporate (B) Entity;
- l) Latin American Corporate (B&L) Entity;
- m) Western European Sovereign Entity;
- n) European Emerging Markets Sovereign Entity;
- o) Australian and New Zealand Sovereign Entity;
- p) Japanese Sovereign Entity;
- q) Singaporean Sovereign Entity;
- r) Asian Sovereign Entity; and
- s) Latin American Sovereign Entity.

“**Equity Securities**” means (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing those equity securities of the issuer of such obligation together with any other property to be 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 to be distributed to or made available to holders of those equity securities from time to time.

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

“**Excluded Deliverable Obligation**” means any obligation identified as such in the applicable Final Terms.

“**Excluded Obligation**” means any obligation identified as such in the applicable Final Terms.

“**Exercise Amount**” has the meaning set out in Credit Linked Condition 11 (*Restructuring Credit Event*).

“**Exercise Cut-off Date**” means, with respect to a Credit Event:

- a) if such Credit Event is not a Restructuring (or if such Credit Event is a Restructuring, neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms), either;
  - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date in respect of an Applicable Auction, if any;
  - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
  - (iii) the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable; or
- b) if such Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and:
  - (i) the relevant Credit Derivatives Determinations Committee has Resolved that Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is seven Relevant City Business Days following the date on which ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules, provided that the Calculation Agent determines that such Resolution and Credit Derivatives Auction Settlement Terms constitute an Applicable Resolution and Applicable Credit Derivatives Auction Settlement Terms, as applicable; or
  - (ii) a No Auction Announcement Date occurs pursuant to sub-paragraph (a) of the definition of No Auction Announcement Date, the date that is 21 calendar days following such No Auction Announcement Date.

“**Extended Exercise Date**” means, where an Extension Notice has been served, the date that is fifteen (15) Business Days (or such other date as may be specified in the Final Terms) after:

- a) if such notice was given pursuant to clause (a) of the definition of Extension Notice, the Exercise Date; or
- b) if such notice was given pursuant to clause (b) of the definition of Extension Notice, the Grace Period Extension Date; or
- c) if such notice was given pursuant to clause (c) of the definition of Extension Notice, the Repudiation/Moratorium Evaluation Date; or
- d) if such notice was given pursuant to clause (d) of the definition of Extension Notice, the Conditions to Settlement End Date.

“**Extension Date**” means the latest to occur of:

- a) the Scheduled Observation End Date;
- b) the Grace Period Extension Date if:

- (i) Grace Period Extension is specified as applicable in the applicable Final Terms;
  - (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of a Credit Event Resolution Request Date, as applicable, is a Failure to Pay Credit Event that occurs after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and
  - (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and
- c) the Repudiation/Moratorium Evaluation Date if:
- (i) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of a Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in sub-paragraph (ii) of the definition of Repudiation/Moratorium occurs after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time));
  - (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and
  - (iii) the Repudiation/Moratorium Extension Condition is satisfied,

unless the Final Terms specify an alternative time.

“**Extension Notice**” means a notice from the Calculation Agent to the relevant Issuer, giving notice of the following in relation to a Reference Entity:

- a) without prejudice to clauses (b), (c) and (d) below, that a Credit Event has occurred or may occur on or prior to the Exercise Date; or
- b) that a Potential Failure to Pay has occurred or may occur on or prior to the Exercise Date. For the purposes of this clause (b), the giving of a Grace Period Extension Notice (if on or prior to the Exercise Date) shall be deemed to satisfy the requirement to give notice under this definition of Extension Notice. However, the giving of an Extension Notice in accordance with this clause (b) shall not in any way preclude the subsequent giving of a Grace Period Extension Notice so long as the Grace Period Extension Condition is satisfied; or
- c) that a Potential Repudiation/Moratorium has occurred or may occur on or prior to the Exercise Date. For the purposes of this clause (c), the giving of a Repudiation/Moratorium Extension Notice (if on or prior to the Exercise Date) shall be deemed to satisfy the requirement to give notice under this definition of Extension Notice. However, the giving of an Extension Notice in

accordance with this clause (c) shall not in any way preclude the subsequent giving of a Repudiation/Moratorium Extension Notice so long as the Repudiation/Moratorium Extension Condition is satisfied; or

- d) that an Applicable Request has been made on or prior to the Exercise Date in respect of which an Applicable Resolution has not been published.

An Extension Notice shall be subject to the requirements regarding notices set out in Credit Linked Condition 3 (*Notices*).

**“Failure to Pay”** means, after the expiration of any applicable (or deemed) 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 Basis”** means, with respect to Certificates for which “Auction Settlement” is specified as the Settlement Basis in the applicable Final Terms, the Fallback Settlement Basis specified in such Final Terms or, if no Fallback Settlement Basis is so specified, the Fallback Settlement Basis shall be deemed to be “Cash Settlement”.

**“Final List”** has the meaning given to that term in the Rules.

**“Final Price”** means, with respect to any Reference Obligation, the price of the Reference Obligation, expressed as a percentage, determined by the Calculation Agent as of the Valuation Date in accordance with the Valuation Method specified in the applicable Final Terms.

**“First-to-Default Credit Linked Certificates”** means any Series of Certificates in respect of which the relevant Issuer purchases credit protection from Certificateholders in respect of two or more Reference Entities and pursuant to which, upon the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to any of such Reference Entities, the Certificates will be redeemed in accordance with the relevant Settlement Basis.

**“Fractional Entitlement”** shall have the meaning specified in Credit Linked Condition 5(i).

**“Full Quotation”** means, in accordance with the Quotation Method, a 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 to be a requirement for consent for purposes of this definition. For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Fully 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 relevant 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 incorporation, registration or organisation of a Reference Entity.

**“Grace Period”** means:

- a) subject to sub-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 date as of which such Obligation is issued or incurred;
- b) if “Grace Period Extension” is specified in the applicable Final Terms as applicable, a Potential Failure to Pay has occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the Grace Period shall be deemed to be the lesser of such grace period and the number of days specified as such in the applicable Final Terms or, if a number of days is not so specified, thirty calendar days; and
- c) if, as of 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 applicable in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled Observation End 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 Condition”** is satisfied by the delivery of a Grace Period Extension Notice and, if specified as applicable in the applicable Final Terms, Notice of Publicly Available Information, by the relevant Issuer to the Certificateholders delivered on or before the Exercise Date.

**“Grace Period Extension Date”** means, if (a) “Grace Period Extension” is specified as applicable in the applicable Final Terms and (b) a Potential Failure to Pay occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the date that is five Business Days following the day falling after the number of days in the Grace Period after the date of such Potential Failure to Pay.

**“Grace Period Extension Notice”** means an irrevocable notice from the relevant Issuer to the Certificateholders that describes a Potential Failure to Pay that occurred on or after the Credit

Observation Start Date and on or prior to the Scheduled Observation End Date. A Grace Period Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Failure to Pay has occurred and indicate that date of the occurrence. A Grace Period Extension Notice shall be subject to the requirements regarding notices contained in Base Condition 12 (*Notices*).

“**Hedge Unwind Costs**” means, with respect to any Series of Certificates in respect of which “Hedge Unwind Adjustment” is specified as applying in the applicable Final Terms, the costs of unwinding any associated hedging transactions, including but not limited to any hedging and/or funding transactions, following the occurrence of a Credit Event.

“**Highest**” means, with respect to the Reference Obligation on the relevant Valuation Date, the highest Quotation obtained by the Calculation Agent with respect to such Reference Obligation on such date.

“**ISDA**” means International Swaps and Derivatives Association, Inc. or any successor thereto as determined by the Calculation Agent.

“**Latest Permissible Physical Settlement Date**” means the date that, in respect of Credit Linked Condition 5(f)(ii)(A), is thirty calendar days after the Physical Settlement Date and, in respect of Credit Linked Condition 5(f)(ii)(B) and (C), the date that is fifteen Business Days after the Physical Settlement Date.

“**Limitation Date**” means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the “**2.5-year Limitation Date**”), 5 years (the “**5-year Limitation Date**”), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the “**20-year Limitation Date**”), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms.

“**Linear Basket Credit Linked Certificates**” mean Certificates which are specified as such in the applicable Final Terms, in respect of which the relevant Issuer purchases credit protection from Certificateholders in respect of two or more Reference Entities and pursuant to which, on each occasion on which a Credit Event occurs and the Conditions to Settlement are satisfied with respect to any of the Reference Entities, the Certificates will be redeemed in part in an amount determined by reference to the Related Nominal Amount relating to such Reference Entity in accordance with the relevant Settlement Basis.

“**Listed**” means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange.

“**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.

“**Market**” means, with respect to the Reference Obligation on the relevant Valuation Date, the Market Value determined by the Calculation Agent with respect to such Reference Obligation on such date.

“**Market Value**” means, with respect to an 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 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 are obtained 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 (and subject to sub-paragraph (b) of the definition of “Quotation” below), an amount determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation is obtained; and (f) if two or more Full Quotations are not obtained within the additional ten Business Day period set forth in sub-paragraph (b) of the definition of “Quotation” below, the Market Value shall be determined as provided in such sub-paragraph (b).

“**Maximum Maturity**” means an obligation that has a remaining maturity from the Physical Settlement Date of not greater than the period specified in the applicable Final Terms.

“**Milan Business Day**” means a day other than a Saturday or Sunday on which commercial banks are generally open for business in Milan.

“**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, U.S.\$1,000,000 (or its equivalent in the Obligation Currency).

“**Modified Eligible Transferee**” means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

“**Modified Restructuring Maturity Limitation Date**” means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Observation End Date, provided that, in circumstances where the Scheduled Observation End Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and the Scheduled Observation End Date is later than the 2.5-year Limitation Date and, prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Observation End Date is either (i) on or prior to the 2.5-year Limitation Date or (ii) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only.

Subject to the foregoing, in the event that the Scheduled Observation End Date is later than (A) the 2.5-year Limitation Date and no Enabling Obligation exists or (B) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Observation End Date.

“**Movement Option**” means, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms, and if a No Auction Announcement Date has occurred pursuant to sub-paragraph (b) of the definition of No Auction Announcement Date, the option of the relevant Issuer to determine in good faith the Parallel

Auction Settlement Terms, if any, that shall be deemed to be applicable for the purposes of the Certificates and Auction Settlement in respect of a Reference Entity and a Credit Event (for which purpose the relevant Issuer may take into account (a) the terms of the relevant Parallel Auction Settlement Terms, the permissible deliverable obligations thereunder, the Deliverable Obligations under the Certificates and (b) any hedging transaction that the relevant Issuer has or may enter into in connection with the Certificates).

**“Movement Option Cut-off Date”** means the date that is four Relevant City Business Days following the Exercise Cut-off Date.

**“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) above.

**“No Auction Announcement Date”** means, with respect to Certificates for which Auction Settlement is specified as the Settlement Basis 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:

- a) no Applicable Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published; or
- b) following the occurrence of a Restructuring, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms only, no Applicable Transaction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published; or
- c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary and the Calculation Agent determines that such Resolution is an Applicable Resolution and no Applicable Auction will be held.

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

**“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 satisfy the Not Contingent Deliverable Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert to 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.

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

**“Not Domestic Issuance”** means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless if 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.

**“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.

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

**“Not Subordinated”** means an obligation that is not Subordinated to (A) the most senior Reference Obligation in priority of payment or (B) if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the relevant Reference Entity provided that, if any of the events set forth under sub-paragraph (i) 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 of 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.

Where the Reference Obligation specified in the applicable Final Terms is a subordinated obligation and such obligation is redeemed in full on or prior to the Issue Date, the ranking in priority of payment of the Reference Obligation for the purposes of this definition and the purposes of the definition of Substitute Reference Obligation shall be that of such Reference Obligation as of the date on which such Reference Obligation was redeemed in full.

**“Notice Delivery Period”** means the period from and including the Issue Date to and including the second Business Day following the date that is fourteen calendar days after the Extension Date.

**“Notice of Physical Settlement”** means a notice from the relevant Issuer to the Calculation Agent and the Certificateholders in accordance with Base Condition 12 (*Notices*). A Notice of Physical Settlement shall be subject to the requirements regarding notices contained in Credit Linked Condition 3 (*Notices*). A Notice of Physical Settlement shall contain:

- a) a detailed description of each Deliverable Obligation that the relevant Issuer reasonably expects to Deliver to the Certificateholders, including the outstanding principal balance or Due and Payable Amount, as applicable, of each such Deliverable Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available or applicable, the rate and tenor of each such Deliverable Obligation); and
- b) where (i) the relevant Credit Event is a Restructuring, (ii) either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and (iii) the Scheduled Observation End Date is later than (A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date contains a detailed description of at least one Enabling Obligation, which description will include the CUSIP or ISIN number, if available and applicable (or, if such identifying number is not available, the rate and tenor), of such Enabling Obligation and any other information necessary to establish that such obligation is an Enabling Obligation).

**“Notice of Physical Settlement Condition to Settlement”** will be deemed to have been satisfied by the delivery by the relevant Issuer of a Notice of Physical Settlement to the Calculation Agent that is effective subject, where applicable, to Credit Linked Condition 5 (*Physical Settlement*), on or prior to two Business Days following the date that is:

- a) subject to sub-paragraph (b) of this definition, the later of:
  - i) the thirtieth calendar day (subject to adjustment in accordance with any applicable Business Day Convention) after the Credit Event Determination Date; and
  - ii) the tenth calendar day after either (1) the date of the relevant DC Credit Event Announcement, if any, or (2) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date, if any, as applicable; or
- b) if “Physical Settlement” is applicable pursuant to the Fallback Settlement Method and:
  - i) the relevant Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms), the thirtieth calendar day after the Auction Cancellation Date or the No Auction Announcement Date, as applicable; or

- ii) the relevant Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms, either:
  - (1) the thirtieth calendar day after:
    - (A) a No Auction Announcement Date occurring pursuant to sub-paragraph (a) of the definition of No Auction Announcement Date, if any; or
    - (B) a No Auction Announcement Date occurring pursuant to sub-paragraph (c) of the definition of No Auction Announcement Date, if any, in circumstances where no Parallel Auction will be held; or
    - (C) the Auction Cancellation Date, if any, as applicable; or
  - (2) the Relevant City Business Day immediately following the later of the Parallel Auction Final Price Determination Date, if any (or, if more than one should occur, the last Parallel Auction Final Price Determination Date), and the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:
    - (A) a No Auction Announcement Date occurs pursuant to sub-paragraph (b) of the definition of No Auction Announcement Date and the relevant Issuer has not exercised any Movement Option; or
    - (B) a No Auction Announcement Date occurs pursuant to sub-paragraph (c) of the definition of No Auction Announcement Date in circumstances where one or more Parallel Auctions will be held,

provided that in the case of sub-paragraph (a)(ii) and sub-paragraph (b) of this definition, the relevant Credit Event Resolution Request Date occurred on or prior to the date described in paragraph (a)(i) of this definition.

For purposes of determining whether the Notice of Physical Settlement Condition to Settlement has been satisfied, the effective date of delivery of the initial Notice of Physical Settlement (whether or not subsequently changed) shall be used.

**“Notice of Publicly Available Information”** means an irrevocable notice from the Calculation Agent to the Certificateholders 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 a description in reasonable detail, of the relevant Publicly Available Information. If 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 contained in Credit Linked Condition 3 (*Notices*).

**“Notice to Exercise Movement Option”** means, if (a) either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and (b) the Fallback Settlement Method would otherwise be applicable pursuant to Credit Linked Condition 3, a notice from the relevant Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable with respect to Certificates in accordance with the Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date.

**“N<sup>th</sup> Reference Entity”** means, in respect of any Series of N<sup>th</sup> -to-Default Credit Linked Certificates, the numbered Reference Entity with respect to which a Credit Event Determination Date must have occurred in order for the Certificates to be redeemed in accordance with the applicable Settlement Basis. For example, if the applicable Final Terms specify that the Certificates are Second-to-Default Credit Linked Certificates, then the N<sup>th</sup> Reference Entity shall be the second Reference Entity with respect to which a Credit Event Determination Date has occurred.

**“N<sup>th</sup> -to-Default Credit Linked Certificates”** means any Series of Certificates in respect of which the relevant Issuer purchases credit protection from Certificateholders in respect of two or more Reference Entities and pursuant to which, upon the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to the N<sup>th</sup> Reference Entity, the Certificates will be redeemed in accordance with the relevant Settlement Basis.

**“Obligation”** means (a) any obligation 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), described by the Obligation Category and having the Obligation Characteristics specified in the applicable Final Terms (but excluding any Excluded Obligation), in each case, as of the date of the event which constitutes the Credit Event which is either the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, (b) each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Obligation and (c) any other obligations of the Reference Entity as specified in the applicable Final Terms.

**“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 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.

**“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.

**“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, as specified in the applicable Final Terms; provided that (i) if the applicable Final Terms specifies the Obligation Category as being Reference Obligations Only, then no Obligation Characteristics shall be

applicable; (ii) in any case, the applicable Final Terms may specify that the Obligation Characteristics is not applicable.

**“Obligation Currency”** means, with respect to an Obligation, the currency 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.

**“Outstanding Amount”** has the meaning set out in Credit Linked Condition 11(b).

**“Overnight Rate”** means the overnight rate for deposits in the relevant currency as determined by the Calculation Agent, in good faith having regard to any then existing market practice.

**“Parallel Auction”** means “Auction” as defined in the relevant Parallel Auction Settlement Terms.

**“Parallel Auction Cancellation Date”** means “Auction Cancellation Date” as defined in the relevant Parallel Auction Settlement Terms.

**“Parallel Auction Final Price Determination Date”** means “Auction Final Price Determination Date” as defined in the relevant Parallel Auction Settlement Terms.

**“Parallel Auction Settlement Date”** means “Auction Settlement Date” as defined in the relevant Parallel Auction Settlement Terms.

**“Parallel Auction Settlement Terms”** means, following the occurrence of a Restructuring, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which the deliverable obligation terms are the same as the Deliverable Obligation provisions applicable to the Certificates and the Calculation Agent determines that the related Auction would not be an Applicable Auction for the purposes of the Certificates.

**“Partial Cash Settlement Amount”** means, for each Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, save as otherwise specified in the applicable Final Terms, an amount equal to the Recovery Amount in respect of such Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation.

**“Partial Cash Settlement Date”** has the meaning given to it in the applicable Final Terms, or, if such a meaning is not so specified, means the date that is three Business Days after the Latest Permissible Physical Settlement Date.

**“Partial Principal Amount”** has the meaning set out in Credit Linked Condition 10 (*Succession Event*).

**“Payment”** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money.

**“Payment Requirement”** means the amount as may be specified as such in the applicable Final Terms or its equivalent in the Obligation Currency or, if a Payment Requirement is not so specified in the applicable Final Terms, U.S.\$ 1,000,000 or its equivalent in the relevant Obligation Currency, in each case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

**“Physical Settlement Cut-Off Date”** shall have the meaning specified in Credit Linked Condition 5(c).

**“Physical Settlement Date”** means the date that is:

- a) the number of Business Days specified in the applicable Final Terms after the date of delivery of the Notice of Physical Settlement; or
- b) if such number of Business Days is not so specified, (i) thirty (30) Business Days after the date of delivery of the Notice of Physical Settlement or (ii) two Business Days following the last day of the longest Physical Settlement Period, if later.

**“Physical Settlement Matrix”** means the Credit Derivatives Physical Settlement Matrix Supplement to the Credit Derivatives Definitions, as most recently amended or supplemented as at the Issue Date (unless otherwise specified in the Final Terms) and as published by ISDA, currently at [www.isda.org](http://www.isda.org), provided that any reference therein to (a) "Confirmation" shall be deemed to be a reference to the applicable Final Terms; (b) "Floating Rate Payer Calculation Amount" shall be deemed to be a reference to the Settlement Currency, (c) "Section 3.3 of the Definitions" shall be deemed to be a reference to "Credit Event Notice" as defined in this Credit Linked Condition 14, (d) "Section 3.9" shall be deemed to be a reference to Credit Linked Condition 11 and (e) "Section 8.6" shall be deemed to be a reference to "Physical Settlement Period" as defined in this Credit Linked Condition 14.

**“Physical Settlement Period”** means, subject to Condition 5 of these Credit Linked Conditions, with respect to a Deliverable Obligation comprising any Relevant Proportion of the Deliverable Obligations, the longest number of Business days for settlement in accordance with then current market practice of such Deliverable Obligations, 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, as determined on the basis of Publicly Available Information by the Calculation Agent.

**“Potential Repudiation/Moratorium”** means the occurrence of an event described in clause (i) of the definition of Repudiation/Moratorium.

**“Public Source”** means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun and Financial Times (and any successor publications).

**“Publicly Available Information”** means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium described in a Credit Event Notice or a Repudiation/Moratorium Extension Notice has occurred and which (a) has been published in or on not less than two internationally recognised published or electronically displayed news sources (it being understood that each Public Source shall be deemed to qualify as such), regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the relevant Issuer or any of its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the relevant Issuer or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, facility agent, agent bank or paying agent for an Obligation; (b) is information received from or published by (i) the relevant Reference Entity or (ii) a trustee, fiscal agent, administrative agent, clearing agent, facility agent, agent bank or paying agent for an Obligation; (c) 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 (d) 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 or judicial body, provided that:

in relation to any information of the type described in (b), (c) and (d) above, each Certificateholder 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 Calculation Agent 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; and

(B) Publicly Available Information need not state (a) in relation to a Downstream Affiliate, the percentage of Voting Shares owned, directly or indirectly by the Reference Entity and (b) that such occurrence (1) has met the Payment Requirement or Default Requirement, (2) is the result of exceeding any applicable Grace Period or (3) has met the subjective criteria specified in certain Credit Events.

**“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 (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced, assigned or otherwise altered 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 following manner:

- 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.
- b) 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.
- c)
  - 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) “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.
- d) 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 sum so specified in the applicable Final Terms (or, 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) provided that if no such sum is specified, the Quotation Amount shall be (a) an amount equal to the aggregate outstanding principal amount of the Certificates or, in the case of Linear Basket Credit Linked Certificates, the Related Nominal Amount of the relevant Reference Entity or (b) in the case of a Restructuring (if applicable), an amount equal to the relevant Exercise Amount.

**“Quotation Dealer”** means a dealer (other than the relevant Issuer or any Affiliate of the relevant Issuer, unless otherwise specified in the applicable Final Terms) in obligations of the type of Obligation(s) for which Quotations are to be obtained, as selected by the Calculation Agent.

**“Quotation Method”** means the 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.

**“Recovery Amount”** means, save as otherwise specified in the applicable Final Terms, an amount in the Settlement Currency divided by the Nominal Amount which shall in turn be divided by the Best Rate Currency, if applicable, determined by the Calculation Agent as being equal to the proceeds, if any, actually received by the relevant Issuer upon the sale or disposal of (a) a nominal amount of the Reference Obligation(s) equal to the aggregate outstanding principal amount of the Certificates or (b) in the case of a Restructuring (if applicable), a nominal amount of the Reference Obligation(s) equal to the relevant Exercise Amount or (c) in the case of a Linear Basket Credit Linked Certificate, a nominal amount of the Reference Obligation(s) equal to the relevant Related Nominal Amount or (d) in the event that Credit Linked Condition 5(f)(ii) applies, the Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, as the case may be, in each case subject to deduction of any amount of any taxes, fees, or costs that may be incurred by the relevant Issuer. For the avoidance of doubt, in the event that there is more than one Reference Obligation, the relevant Issuer shall determine, in its sole and absolute discretion, the selection of Reference Obligations for such sale or disposal.

**“Reference Entity”** or **“Reference Entities”** means the entity or entities specified as such in the applicable Final Terms, and any Successor either (a) as determined by the Calculation Agent or (b) identified by the Calculation Agent by reference to a public announcement by ISDA on or following the Issue Date of 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.

**“Reference Obligation”** means (a) each obligation (if any) specified as such or of a type described in the applicable Final Terms and (b) any Substitute Reference Obligation.

**“Reference Obligations Only”** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only.

**“Related Nominal Amount”** means, in respect of a Reference Entity, the amount specified as such in the applicable Final Terms.

**“Relevant City Business Day”** has the meaning given to that term in the Rules.

**“Relevant Jurisdiction”** has the meaning set out in the applicable Final Terms.

**“Relevant Proportion”** means the proportion which the principal amount of the Certificate or Certificates the subject of an Asset Transfer Notice bears to the aggregate principal amount of all Certificates outstanding (including those the subject of the Asset Transfer Notice) immediately prior to the date set for redemption.

**“Remaining Amount”** has the meaning set out in Credit Linked Condition 7(c)(iii).

**“Remuneration Payment Cut-off Date”** means in respect of the Certificates and any date which is an Remuneration Payment Date, the third Payment Business Day preceding such Remuneration Payment Date and in respect of any date which is not an Remuneration Payment Date, the third Business Day preceding the Exercise Date.

**“Remuneration Recommencement Date”** shall have the meaning specified in Credit Linked Condition 8 (*Reversals and Adjustments to Credit Event Determination Dates*).

**“Repudiation/Moratorium”** means the occurrence of both 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 Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)):

- a) 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, if the expiration date of any applicable Grace Period in respect of such payment date); and
- b) 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.

The **“Repudiation/Moratorium Extension Condition”** is satisfied:

- a) if 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 Observation End 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 Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant

Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and such Resolution constitutes an Applicable Resolution; or

- b) by the delivery of a Repudiation/Moratorium Extension Notice and, if specified as applicable in the applicable Final Terms, a Notice of Publicly Available Information, by the relevant Issuer to Certificateholders in accordance with these Credit Linked Conditions prior to the Exercise 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 Observation End 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 has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), in each case provided that the Calculation Agent determines such Resolution is an Applicable Resolution.

**“Repudiation/Moratorium Extension Notice”** means an irrevocable notice from the relevant Issuer to the Certificateholders in accordance with these Credit Linked Conditions that describes a Potential Repudiation/Moratorium that occurred on or after the Issue Date and on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). 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 to be continuing on the date the Repudiation/Moratorium Extension Notice is delivered. A Repudiation/Moratorium Extension Notice shall be subject to the requirements regarding notices contained in Credit Linked Condition 3 (*Notices*).

**“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 a Bond or Loan in respect of which the Restructuring that is the subject of a Credit Event Notice has occurred.

**“Restructuring”** means:

- a) with respect to one or more Obligations, including as a result of an Obligation Exchange, and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs, is agreed between the Reference Entity or a Governmental Authority and the holder or holders of such Obligation or is announced (or otherwise decreed)

by the Reference Entity or a Governmental Authority in a form that is binding upon a Reference Entity, and such event is not provided for under the terms of such Obligation in effect as of the later of the relevant Credit Event Backstop Date and 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 (A) the payment or accrual of interest or (B) 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;
  - (v) any change in the currency or composition of any payment of interest or principal; or
  - vi) new cash advance is required to be made to the Reference Entity and/or any additional obligation of the Reference Entity is required to be bought by the holders of the Obligation by the Governmental Authority.
- b) Notwithstanding the provisions of sub-paragraph (a) of this definition of Restructuring, none of the following shall constitute a Restructuring:
- i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
  - ii) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a)(i) to (v) of this definition of Restructuring, due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
  - iii) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a) (i) to (v) of this definition of Restructuring, in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.
- c) For the purposes of sub-paragraphs (a) and (b) of this definition of Restructuring, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in sub-paragraph (a) shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in sub-paragraph (b) shall continue to refer to the Reference Entity.
- d) Unless Multiple Holder Obligation is specified as not applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in (a), (b) or (c) above, the occurrence of,

agreement to or announcement of any of the events described in (a)(i) to (v) shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

If an Obligation Exchange has occurred, the determination as to one of the events described in subparagraphs (a)(i) to (a)(v) above has occurred, will be based on a comparison of the terms of the Obligation immediately before such Obligation Exchange and the terms of the resulting Obligation if any, immediately following such Obligation Exchange.

The Calculation Agent acting on good faith and commercially reasonable manner will make any determination required under (b) or (c) above in its sole discretion.

For the purpose of this definition, “**Obligation Exchange**” means the mandatory transfer (other than in accordance with the terms in effect as of the later of the Credit Observation Start Date and the date of issuance of the relevant Obligation) of any security, obligation or asset to holders of Obligations in exchange for such Obligations. When so transferred, such securities, obligations or assets will be deemed to be Obligations.

“**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 the Restructuring.

“**Restructuring Maturity Limitation Date**” means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Observation End Date, provided that, in circumstances where the Scheduled Observation End Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a “**Latest Maturity Restructured Bond or Loan**”) and the Scheduled Observation End Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Observation End Date is later than (i)(A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (ii) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Observation End Date.

“**Rules**” means, with respect to a Credit Derivatives Determinations Committee, the Credit Derivatives Determinations Committees Rules as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof.

“**Scheduled Observation End Date**” means the date specified as such in the applicable Final Terms, or if no date is so specified, the Exercise Date. The Scheduled Observation End Date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms.

“**Settlement Basis**” means Cash Settlement, Physical Settlement and/or Auction Settlement, as specified in the applicable Final Terms or Credit Event Notice.

“**Settlement Date**” means either the Cash Settlement Date, the Physical Settlement Date or the Auction Settlement Date, as applicable.

“**Single Name Credit Linked Certificates**” means any Series of Certificates in respect of which the relevant Issuer purchases credit protection from Certificateholders in respect of one Reference Entity alone and pursuant to which, upon the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to the single Reference Entity, the Certificates will be redeemed in accordance with the relevant Settlement Basis.

“**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.

“**Specified Currency**” means, for the purposes of the definitions of “Obligation Characteristic” and “Deliverable Obligation Characteristic” only, the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is selected as an Obligation Characteristic or Deliverable Obligation Characteristic in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, the Federal Republic of Germany, Japan, the Republic of France, the Republic of Italy, 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, if applicable, in the applicable Final Terms as the “**Standard Specified Currencies**”).

“**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 similar arrangement providing that (A) 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 (B) 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 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.

“**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 applying 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 (A) a Reference Obligation is redeemed in whole or (B) in the opinion of the Calculation Agent (1) the aggregate amount due under any Reference Obligation has been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (2) any Reference Obligation is an underlying Obligation with a Qualifying Guarantee of the 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 (3) 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 shall be an Obligation that either (A) as determined by the Calculation Agent (1) ranks *pari passu* in priority of payment with such Reference Obligation (with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation being determined as of the date on which such Reference Obligation was issued or incurred, and not reflecting any change in ranking in priority of payment after such date) (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent, of the delivery and payment obligations of the relevant Issuer and (3) is an obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applying in the applicable Final Terms, as provider of a Qualifying Guarantee) or (B) which ISDA publicly announces on or following the Issue Date that the Credit Derivatives Determinations Committee has Resolved is a Substitute Reference Obligation in respect of a Reference Obligation in accordance with the Rules. The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations. The Calculation Agent shall notify the Certificateholders of any selection of a Substitute Reference Obligation or Substitute Reference Obligations.
- c) If there is more than one Reference Obligation, any of the events set forth under sub-paragraph (a) above has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above 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 there is more than one Reference Obligation, any of the events set forth under sub-paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above 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 (A) there is more than one Reference Obligation, any of the events set forth in sub-paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above that no Substitute Reference Obligation is available for any of the Reference Obligations or (B) there is only one Reference

Obligation, any of the events set forth in sub-paragraph (a) above has occurred with respect to the Reference Obligation and the Calculation Agent determines in accordance with sub-paragraph (a) above 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 Extension Date. If (A) either (1) Cash Settlement is specified as the Settlement Basis in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Basis in accordance with Credit Linked Condition 6 (*Auction Settlement*)) and the Cash Settlement Amount is determined by reference to a Reference Obligation or (2) either Auction Settlement or Physical Settlement is specified as the Settlement Basis in the applicable Final Terms (or, in the case of Physical Settlement, is applicable pursuant to the Fallback Settlement Basis in accordance with Credit Linked Condition 6 (*Auction Settlement*)) and, in each case, the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), a Substitute Reference Obligation has not been identified, as of the end of the day on the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) the relevant Issuer shall redeem the Certificates on the third Business Day following the Extension Date in accordance with Base Condition 6(a) (as modified by these Credit Linked Conditions).

- 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 Obligations into a different Obligation.

**“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 the 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.

**“Succession Event”** means (a) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (b) 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, in each case as determined by the Calculation Agent. Notwithstanding the foregoing, “Succession Event” shall not include an event (i) 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, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event or (ii) 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 (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

**“Succession Event Backstop Date”** means:

- a) for purposes of any event that constitutes a Succession Event for the purposes of certain credit derivative transactions, as determined by DC Resolution, the date that is 90 calendar days prior to the relevant Succession Event Resolution Request Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), provided that the Calculation Agent determines that such DC Resolution constitutes an Applicable Resolution; 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 (1) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (2) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (3) the Succession Event Notice is delivered by the Calculation Agent to the relevant 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, provided that the Calculation Agent determines that such Resolutions constitute Applicable Resolutions.

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 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:

- a) whether an event that constitutes a Succession Event for purposes of certain credit derivatives transactions has occurred with respect to the relevant Reference Entity; and
- b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (i) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (ii) 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, provided that the Calculation Agent determines that such request and the Resolution constitute an Applicable Request and an Applicable Resolution.

**“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 relevant Issuer that describes

a Succession Event that occurred on or after the relevant Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, pursuant to the definition of Successor, of (a) whether a Succession Event has occurred and (b) if relevant, the identity of any Successor(s).

“**Successor**” means:

- a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined by the Calculation Agent 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 for (a) if the Certificates are not Linear Basket Credit Linked Certificates, the entire outstanding principal amount of the Certificates as at the date of the Succession Event or (b) if the Certificates are Linear Basket Credit Linked Certificates, the entire Related Nominal Amount of that original Reference Entity outstanding as at the date of the Succession Event;
  - 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 for (a) if the Certificates are not Linear Basket Credit Linked Certificates, the entire outstanding principal amount of the Certificates as at the date of the Succession Event or (b) if the Certificates are Linear Basket Credit Linked Certificates, the entire Related Nominal Amount of that original Reference Entity outstanding as at the date of the Succession Event;
  - iii) if more than one entity each directly or indirectly succeeds 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 in respect of (a) if the Certificates are not Linear Basket Credit Linked Certificates, a portion of the outstanding principal amount of the Certificates as at the date of the Succession Event or (b) if the Certificates are Linear Basket Credit Linked Certificates, a portion of the Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event, in each case subject to and in accordance with Credit Linked Condition 10 (*Succession Event*);
  - iv) if one or more entities each directly or indirectly succeeds 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 in respect of (a) if the Certificates are not Linear Basket Credit Linked Certificates, a portion of the outstanding principal amount of the Certificates as at the date of the Succession Event or (b) if the Certificates are Linear Basket Credit Linked Certificates, a portion of the Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event, in each case subject to and in accordance with Credit Linked Condition 10 (Succession Event);

- 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 for the purposes of the Credit Linked Conditions 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.
- b) with respect to a Reference Entity that is a Sovereign, each entity as determined by the Calculation Agent which becomes a direct or indirect successor to such Reference Entity by way of Succession Event, irrespective of whether any successor assumes any of the obligations of such Reference Entity.

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

**“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 (a) and (b) 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 Certificates.

**“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 (a) the matters described in the definition of Suspension Event or (b) not to determine such matters.

**“Transaction Type”** means, unless otherwise specified in the Final Terms, for the purposes of the application of the Physical Settlement Matrix to the Certificates, each Reference Entity designated as one of the following in the Final Terms:

- a) North American Corporate;
- b) European Corporate;
- c) Australian Corporate;
- d) New Zealand Corporate;
- e) Japan Corporate;
- f) Singapore Corporate;
- g) Asia Corporate;
- h) Subordinated European Insurance Corporate;
- i) Emerging European Corporate;
- j) Latin American Corporate (B);
- k) Latin American Corporate (B&L);
- l) Asia Sovereign;
- m) Emerging European & Middle Eastern Sovereign;
- n) Japan Sovereign;
- o) Australia Sovereign;
- p) New Zealand Sovereign;
- q) Singapore Sovereign;
- r) America Sovereign;
- s) Western European Sovereign;

and any other Transaction Type which may be added to the Physical Settlement Matrix from time to time.

**“Transaction Type Standard Terms”** means, unless otherwise specified in the Final Terms, in respect of any Transaction Type specified in the Final Terms as a Reference Entity, the relevant terms corresponding to such Transaction Type contained in the Physical Settlement Matrix.

**“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.

“**Uncured Default**” means a Potential Failure to Pay has occurred and neither a Credit Event as a result of a Failure to Pay nor a Default Correction Date has occurred.

“**Undeliverable Loan Obligations**” “**Undeliverable Obligations**” and “**Undeliverable Participations**” shall each have the meaning specified in Credit Linked Condition 5(f)(ii);

“**Underlying Obligation**” has the meaning set out in “Qualifying Guarantee”;

“**Underlying Obligor**” has the meaning set out in “Qualifying Guarantee”;

“**Valuation Date**” means:

- a) if “Single Valuation Date” is specified in the applicable Final Terms, subject to Credit Linked Condition 7 (*Suspension Terms*), 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 Basis in accordance with Credit Linked Condition 6 (*Auction Settlement*), the 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) following the relevant Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
- b) if “Multiple Valuation Dates” is specified in the applicable Final Terms, subject to Credit Linked Condition 7 (*Suspension Terms*), each of the following dates:
  - i) 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 Basis in accordance with Credit Linked Condition 6 (*Auction Settlement*), the 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) following the relevant Auction Cancellation Date, if any, or No Auction Announcement Date, if any, as applicable); and
  - ii) each successive 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) 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 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 in the applicable Final Terms, Single Valuation Date shall apply.

“**Valuation Method**” means Market or Highest, as specified in the applicable Final Terms Average Market, Average Highest, Blended Market, Blended Highest, Average Blended Market or Average Blended Highest.

“**Valuation Time**” means such time as is specified in the applicable Final Terms.

“**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.

“**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 any Deliverable Obligation with an outstanding principal balance of as large a size as available but less than the Quotation Amount (but 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 the aggregate are approximately equal to the Quotation Amount.

## PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

### *Clearing System Accountholders*

Each Global Security will be in bearer form. Consequently, in relation to any Tranche of Securities represented by a Global Security, references in the Terms and Conditions of the Securities to “**Securityholder**” are references to the bearer of the relevant Global Security which, for so long as the Global Security is held by a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that common depository.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Security (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the relevant Issuer to the bearer of such Global Security and in relation to all other rights arising under the Global Security. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Security will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Securities are represented by the Global Security, Accountholders shall have no claim directly against the relevant Issuer in respect of payments due under the Securities and such obligations of the relevant Issuer will be discharged by payment to the bearer of the Global Security.

### *Exchange of Temporary Global Securities*

Whenever any interest in a Temporary Global Security is to be exchanged for an interest in a Permanent Global Security, the relevant Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Security, duly authenticated to the bearer of the Temporary Global Security; or
- (b) in the case of any subsequent exchange, an increase in the number of Securities represented by such Permanent Global Security, where applicable, in accordance with its terms,

as specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Security to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Security is to be exchanged for Definitive Securities, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of the relevant number of Definitive Securities, duly authenticated, to the bearer of the Temporary Global Security against the surrender of the Temporary Global Security to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Security has not been delivered or the principal amount thereof, where applicable, increased by 5.00 p.m. (Luxembourg time) on the seventh day after the bearer of a

Temporary Global Security has requested exchange of an interest in the Temporary Global Security for an interest in a Permanent Global Security; or

- (b) Definitive Securities have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Temporary Global Security has requested exchange of the Temporary Global Security for Definitive Securities; or
- (c) a Temporary Global Security (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Securities or the date for final redemption of a Temporary Global Security has occurred and, in either case, payment in full of the amounts falling due thereunder has not been made to the bearer of the Temporary Global Security in accordance with the terms of the Temporary Global Security on the due date for payment,

then the Temporary Global Security (including the obligation to deliver a Permanent Global Security or increase the number of Securities represented thereby, where applicable, or deliver Definitive Securities, as the case may be) will become void at 5.00 p.m. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (b) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Security or others may have under the Deeds of Covenant. Under the Deeds of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Security became void, they had been the holders of a number of Definitive Securities equal to the number of Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Securities are listed on the Irish Stock Exchange and its rules so require, the relevant Issuer will give notice of the exchange of the Permanent Global Security for Definitive Securities pursuant to Condition 8 (*Notices*) of the Securities.

#### *Exchange of Permanent Global Securities*

Whenever a Permanent Global Security is to be exchanged for Definitive Securities, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of the relevant number of Definitive Securities, duly authenticated to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) Definitive Securities have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Permanent Global Security has duly requested exchange of the Permanent Global Security for Definitive Securities; or
- (b) a Permanent Global Security (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Securities or the date for final redemption of the Securities has occurred and, in either case, payment in full of the amounts falling due

thereunder has not been made to the bearer of the Permanent Global Security in accordance with the terms of the Permanent Global Security on the due date for payment,

then the Permanent Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Security or others may have under the Deeds of Covenant). Under the relevant Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Security will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Security became void, they had been the holders of a number of Definitive Securities equal to the number of Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Securities are listed on the Irish Stock Exchange and its rules so require, the relevant Issuer will give notice of the exchange of the Permanent Global Security for Definitive Securities pursuant to Condition 8 (*Notices*) of the Securities.

#### *Conditions applicable to Global Securities*

Each Global Security will contain provisions which modify the Terms and Conditions of the Securities as they apply to the Global Security. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Securities.

*Exercise of Warrants:* In order to exercise Warrants in accordance with Conditions 16, 17 and 18 of the Securities, the bearer of the Permanent Global Security must, in accordance with the relevant Conditions of the Securities, send to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, with a copy to the Fiscal Agent and the relevant Issuer, of a duly completed Exercise Notice. Any such notice will be irrevocable and may not be withdrawn.

*Notices:* Notwithstanding Condition 8 (*Notices*) of the Securities, while all the Securities are represented by a Permanent Global Security (or by a Permanent Global Security and/or a Temporary Global Security) and the Permanent Global Security is (or the Permanent Global Security and/or the Temporary Global Security are) deposited with a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Securityholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Securityholders in accordance with Condition 8 (*Notices*) of the Securities on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; *provided, however, that*, so long as the Securities are listed on the Official List of the Irish Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Ireland or on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Securities will be used for the general corporate purposes of the relevant Issuer.

## **INFORMATION ON MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.P.A.**

*This section of the Base Prospectus reflects the contents of certain paragraphs of the registration document published in Italian language by Mediobanca on 18 October 2013 and approved by CONSOB pursuant to CONSOB Regulation No. 11971 of 14 May 1999 (as amended) on 18 October 2013, report No. 82710/13 (the “**Mediobanca Registration Document**”), of which the relevant English translation is incorporated by reference to this Base Prospectus. Other information included in the Mediobanca Registration Document not incorporated in this section of the Base Prospectus are covered elsewhere in this Base Prospectus, such as under section headed “Risk Factors” or under section headed “Financial Information of Mediobanca – Banca di Credito Finanziario S.p.A.”*

*Sections III (Risk factors), VII (Future trends) and VIII (Forecasts or estimates of profits) of the Mediobanca Registration Document are deemed to be incorporated in, and to form part of, this Base Prospectus as more fully described in the section of this Base Prospectus headed “Documents Incorporated By Reference”. All other Sections of the Mediobanca Registration Document are considered as additional information. The Mediobanca Registration Document contains information inter alia regarding Mediobanca, its business, administration and management, and shareholders.*

### **History and development of Mediobanca**

#### *Legal status and information*

Mediobanca – Banca di Credito Finanziario S.p.A. was set up on 10 April 1946 by virtue of a notarial deed drawn up by Notary public Arturo Lovato, file no. 3041/52378. Mediobanca is a joint stock company incorporated under Italian law registered in the Milan Companies’ Register under Registration no. 00714490158 having its registered office and administrative headquarters in Piazzetta Enrico Cuccia 1, 20121 Milan, Italy, tel. no.: (0039) 02-88291. Mediobanca operates under Italian law, and the court of Milan has jurisdiction over any disputes arising against it.

#### *Important events in Mediobanca’s recent history*

Since 31 December 2013 there have been no negative changes either to the financial position or prospects of either Mediobanca or the Mediobanca Group headed up by it.

Neither Mediobanca nor any company in the Mediobanca Group have carried out transactions that have materially affected or that might be reasonably expected to materially affect, Mediobanca’s ability to meet its obligations towards third parties.

As at 24 July 2013 S&P rated Mediobanca A-2 (short-term debt), BBB (long-term debt) and negative (outlook) – see [www.mediobanca.it/it/investor-relations/rating.html](http://www.mediobanca.it/it/investor-relations/rating.html).

For an explanation of the rating given by S&P please see below the S&P rating scale:

<b>LONG TERM</b> obligations with an original maturity of more than one year	<b>SHORT TERM</b> obligations with an original maturity of no more than one year
<b>Investment grade</b>	<b>Investment grade</b>
<p><b>AAA</b> The obligor's capacity to meet its financial commitment on the obligation is extremely strong.</p> <p><b>AA</b> The obligor's capacity to meet its financial commitment on the obligation is very strong. An obligation rated 'AA' differs from the highest-rated obligations only to a small degree.</p> <p><b>A</b> The obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.</p> <p><b>BBB</b> The obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.</p>	<p><b>A-1</b> The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.</p> <p><b>A-2</b> The obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.</p> <p><b>A-3</b> The obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.</p>

(Source: Standard & Poor's)

To the knowledge of Mediobanca, Standard & Poor's Credit Market Services Italy S.r.l. ("**S&P**") is a credit rating agency which is established in the European Community and has been registered in accordance with Regulation (EC) No 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013) (the "**CRA**"). As such S&P is included in the latest list of credit rating agencies published by the European Securities and Markets Authority on its website, in accordance with the CRA – see [www.esma.europa.eu/page/List-registered-and-certified -CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).

## **Business Overview**

### *Principal activities*

The Group's principal activities are currently segmented into three banking divisions and one Corporate Center: the "Corporate & Private banking" (CPB), which includes wholesale banking and private banking (Compagnie Monégasque de Banque and Banca Esperia); "Principal Investing" (PI), which brings together all the Mediobanca Group's shares related investments (IAS 28) available for sale (AFS); "Retail & Consumer Banking" (RCB), consisting of consumer credit activities (Compass) and retail banking, (CheBanca!); the "Corporate Center" (CC) where all the other companies (including leasing) and some of the costs of the central functions of the Gruppo flow in.

Mediobanca is a banking group operating in "Corporate & Private" banking (CPB), which includes

wholesale banking and private banking, in the “Principal Investing” (PI), which brings together the Mediobanca Group’s long-term shares investments, merchant banking and private equity, in the “Retail & Consumer” banking (RCB), which includes consumer credit and retail banking and a “Corporate Center” (CC) where all the other companies flow in (including leasing) and some costs of the central functions of the Gruppo. Mediobanca has a market capitalization of approx. €4.6bn.

**Consolidated financial information as at 30/06/13\***

€m	CPB	PI	RCB	CC
Profit and loss account				
Net interest income	286.9	-	696.5	46.4
Total income	723.3	7.9	869.6	55.3
Profit before tax	324.8	-408.9	89.4	-31.9
Net profit	202.4	-407.1	42.8	-19.5

\*Source: Mediobanca audited consolidated annual financial statement as at and for the year ended on 30 June 2013

**Wholesale Banking**

Mediobanca seeks to provide its corporate clients with the advisory services and financial services to help them grow and develop.

The wholesale banking division comprises three different units: *Corporate finance, Lending and Structure Finance, Capital Markets.*

**Corporate finance**

Mediobanca is the leader in Italy and has an increasingly significant role in financial advisory services at the European level through its branches in Paris, Frankfurt and Madrid. A client-based approach is adopted, backed by in depth knowledge of the financial issues and a consolidated track record in executing deals. The operating unit is organized into different industry teams covering individual industries in order to provide greater focus.

Corporate finance involves the following activities:

- defining strategic objectives for companies and identifying extraordinary financing transactions in order to help meet them;
- extraordinary financing transactions: mergers and acquisitions, joint ventures and partnerships, disposals and spinoffs;
- liability restructuring: earnings/financial analysis of companies/groups undergoing restructuring; working out financial rebalancing scenarios; negotiating with key creditors;
- corporate restructuring: LBOs, MBOs, spinoffs and tax-/inheritance-related issues;
- company valuations, on a standalone basis and for purposes of setting exchange ratios;

- relations with authorities: assistance in handling relations with market and regulatory authorities, principally CONSOB and Borsa Italiana.

### *Lending and structured finance*

The Financing teams serve Mediobanca's Italian and international customers, through the branch offices located in Paris, Frankfurt, London and Madrid, to offer:

- advice in evaluating possible capital structures and financing solutions available from among a vast series of debt products, including considering possible implications in terms of rating;
- structuring and executing lending transactions;
- access to the international syndicated loans market;
- facility and security agent services for corporate and structured lending transactions.

The main products of the Lending and structured finance team are:

- **corporate lending:** (bilateral loans, club deals and syndicated loans): corporate loans aimed at supporting customers' financial requirements generated by investments or related to their companies' growth; the financial solutions offered are aimed primarily at medium-/large-sized firms operating on domestic and international markets, in industrial and service-based sectors;
- **leveraged finance:** (acquisition finance, loans for LBO/MBOs): financial support to corporate counterparties and institutional investors as part of leveraged transactions to acquire stakes in listed and unlisted companies; a wide range of lending transactions are developed, arranged, structured, underwritten and executed based on complex structures, and because of their size these are often syndicated on the international market;
- **structured finance:** (project finance, infrastructure finance, real estate finance): on the back of its solid track record in various sectors, customers are provided with advisory services covering the entire process of structuring deals to support investment and infrastructure or industrial projects, including offering strategies, selection of the most effective debt instruments, hedging strategies, financial modelling and structuring contracts; and
- **export finance:** (export credit, trade finance, untied loans, pre-export finance and Islamic finance): financial support provided to exporters of merchandise and services destined for counterparties located in emerging markets, including with the support of government organizations guaranteeing insurance coverage and/or subsidized interest rates (SIMEST, SACE or other European export credit agencies); such loans, which are often syndicated, are structured in conjunction with the provision of advisory services regarding negotiations with commercial counterparties and financial and/or supranational institutions.

### *Capital Markets*

Mediobanca operates on both the primary and secondary markets, trading equities and fixed-income securities, foreign exchange products and credit risk, interest rate and exchange rate derivatives. In the equity market (primary and secondary), activity is divided into the following areas:

- **equity capital markets:** it is the Italian leader and has a role of increasing importance internationally in structuring, co-ordinating and executing equity capital markets transactions, such as IPOs, rights issues, secondary offerings and ABOs, and bonds convertible into equity solutions (equity derivatives to manage investments and treasury shares): this unit structures and implements extraordinary financing transactions involving equity investments and treasury shares; using a dedicated trading platform, the team offers customers innovative, high value-added solutions, and also handles any legal, accounting, tax and regulatory issues;
- **equity finance (securities lending, equity repos, collateralized financing):** the unit offers tailored securities lending solutions, which range from simple loans to hedge short-/medium-term positions, to equity repos, to upgrades and collateralized financing;
- **equity derivatives institutional marketing:** a range of equity-linked investments are offered to banks, insurances, asset managers and family offices, from synthetic replications of simple underlying assets to sophisticated protection mechanisms and solutions for increasing the return on portfolios, funded or unfunded;
- **MB Securities:** this is Mediobanca's equity brokerage division, offering global access to equity markets and research on the Italian market (over 100 companies are covered), plus a pan-European focus on the financials sector (banks and insurances); a dedicated team also offers corporate broking services.

In relation to the debt market, the activity is divided into the following areas of operation:

- **debt capital markets:** this team originates, structures, executes and places corporate and financial bond issues, covered bonds and securitizations to meet its customers' financing needs.
- **CRAL solutions:** this area structures solutions based on interest rates, credit and alternative products; it targets corporate clients, banks and institutional investors who need to restructure their investment portfolios, increase asset liquidity and diversify their sources of funding. An activity of advisory and structuring of ad hoc solutions on alternative investments focusing on institutional investors.
- **proprietary funding:** this team is responsible for structuring, issuing and placing debt products, the revenues from which finance the Bank's own activities. Fund raising, supported by the Bank's high credit rating, takes place primarily through the issuance of securities, both plain vanilla and structured. Securities are placed with retail investors through public offers (executed using the proprietary networks of CheBanca!, through individual third banks – including that of BancoPosta – either on an exclusive basis or via groups of banks in syndicates) and direct sales are made over the screen-based bond market (MOT) operated by Borsa Italiana. Demand from institutional investors is met via public offers of securities on the Euromarket and private placements of products customized to meet the subscribers' specific needs.

#### *Private banking*

The range of services offered to clients by the Mediobanca Group includes private banking, via Banca Esperia and Compagnie Monégasque de Banque.

- Banca Esperia was set up in July 2000 as a joint venture between the Mediobanca and Mediolanum groups with the aim of becoming the private banker of choice for high net worth clients, offering them portfolio management, advisory and financing services. Independence, operational autonomy, focus on private banking activities, and excellence and quality of service, are the hallmarks of a bank which has approximately €12bn in assets under management at its branches in Bergamo, Bologna, Brescia, Florence, Genoa, Milan, Modena, Naples, Padua, Parma, Rome and Turin.
- Compagnie Monégasque de Banque (“CMB”) is 100%-owned by Mediobanca. CMB is market leader in the Principality of Monaco, with total deposits of approx. €6bn. Its geographical position, indepth knowledge of markets and reputation for absolute discretion make it a player of primary importance in the private banking industry, which can provide exclusive services to its client, ranging from loans to property investments.

### *Principal Investing*

Mediobanca takes minority stakes in leading Italian and international companies, most of which are listed, and which are generally leaders in their respective spheres of activity, with a view to contributing, including through representation on investee companies’ governing bodies, to value creation over a medium- and long-term time horizon. Mediobanca offers its investee companies, on an arm’s length basis, the entire range of Group services (lending, corporate finance, capital markets, etc.). In view of the size of the investments and the role played by Mediobanca in the governance of the companies concerned, the shareholdings in Generali, RCS MediaGroup and Telco are part of the main shareholdings of the Principal investing division.

Company	Sector	% of share capital	Book value at 30/6/13 €m
Assicurazioni Generali (1)	Insurance	13.24%	2.461
RCS Mediagroup (2)	Publishing - media	14.93%	20
Telco (3)	Telephony	11.62%	78

(1) As at 30 September 2013, the shareholding is unchanged, the book value is equal to 2.457m

(2) As at 30 September 2013, the shareholding is 14.86% and the book value is equal to 76.4m following the capital increase realized during the last July through the underwriting of 42.9m shares and a payment equal to 60.8m.

(3) As at 30 September 2013, the shareholding is equal to 6.48% and the book value is equal to 72.8m due to the new Fair Value and the transaction included in the subsequent events (see cap. 4 “Information on the relevant Issuer”).

### *Consumer credit – Compass*

Mediobanca has operated in the consumer credit sector since the 1960s through its subsidiary Compass. In 2008 its positioning in this segment was strengthened, including through acquisitions, with the addition of Linea, acquired on 27 June 2008 from Banca Popolare di Vicenza, Banco Popolare and other banking shareholders). Compass is now one of the top-ranking Italian consumer credit operators with a market share of 11%.

Compass offers a wide range of products (personal loans, special purpose loans for acquisition of consumer durable goods, credit cards and salary-backed finance), using a highly diversified distribution network consisting of 163 own branches, distributing agreements with banking partners and retailers, including BancoPosta.

As at the balance-sheet date it had approx. €8.5bn in loans outstanding, plus a total of 1,435 staff on the books.

As at 30 June 2013, it had approx. €8.5bn in loans outstanding, plus a total of 1,435 staff on the books.

### *Retail and Private Banking (RPB)*

Mediobanca has a footprint in this sector through its group companies. It has operations in consumer credit through Compass, in retail banking through CheBanca!, and in private banking through Banca Esperia (in Italy) and Compagnie Monégasque du Banque (in the Principality of Monaco).

#### *Retail Banking - CheBanca!*

In 2008, with the launch of CheBanca! Mediobanca commenced operations in the retail banking segment. The rationale for the CheBanca! project was to diversify the Mediobanca Group's sources of funding and create a value centre to leverage on the market's potential to establish a transparent and highly innovative Italian operator. Five years since its launch, CheBanca! has achieved a distinctive position on the market, with.

- high brand recognition;
- effective, innovative multi-channel distribution (internet, 44 own branches, direct banking);
- simple, transparent products;
- substantial customer base (over 520,000 customers);
- strong commercial results: €12.6bn in deposits, €4.3bn in mortgages disbursed, over 680,000 products sold.

The company employs a total of 911 staff.

#### *Leasing*

Mediobanca owns a 60% stake in the SelmaBipiemme Leasing S.p.A. (“**SelmaBipiemme**”) group via Compass S.p.A. (“**Compass**”), with the other 40% held by Banca Popolare di Milano S.c.a r.l.. SelmaBipiemme owns 100% of Palladio Leasing, and 80% of Teleleasing (the other 20% being owned by Telecom Italy), a company which operates primarily in operating leasing.

The SelmaBipiemme group operates via branches, agents and above all banking networks, including Banca Popolare di Milan and Banca Popolare di Vicenza. It ranks among the top 15 operators in this sector.

In the twelve months to 30 June 2013 the group disbursed approximately €250 bn.

As at 30 June 2013, the net value finance disbursed by the group amounted to some €3.5 bn, with a headcount numbering 160 staff employed at the head office and 12 branches.

*Brief description of the Mediobanca's principal activities, with an indication of the main categories of products sold and/or services provided*

As stated in Article 3 of the Company’s Articles of Association, the Company’s corporate purpose is to raise funds and provide credit in any of the forms permitted, by applicable law, particularly medium- and long-term credit to corporates.

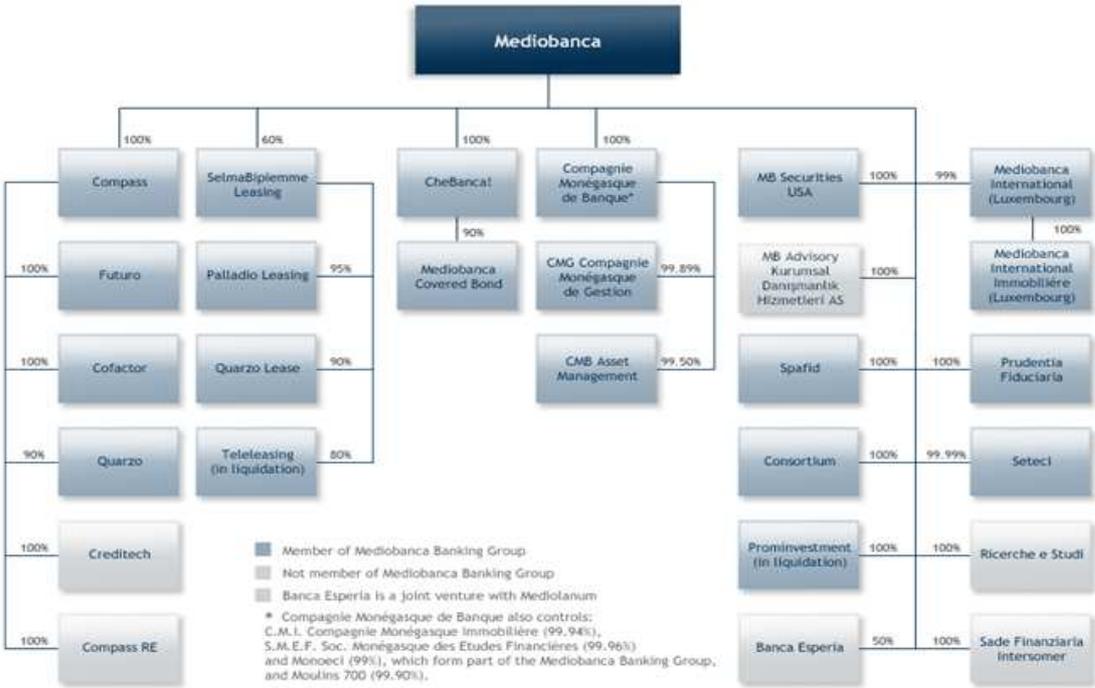
Within the limits laid down by current regulations, Mediobanca may execute all banking, financial and intermediation-related operations and services, and carry out any transaction deemed to be instrumental to or otherwise connected with the achievement of Mediobanca’s corporate purpose.

**Organizational Structure**

*Description of organizational structure of group headed up by Mediobanca*

The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.

The following diagram illustrates the structure of the Mediobanca Group as at the date hereof.



**Bodies Responsible for governance, management and supervision of Mediobanca**

The Board of Directors appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years as integrated on the 27 October 2012 after the resignation following the application of article 36 of the Decree 201/11 (prohibition for members of banking, insurance and financial companies to hold such positions in companies active in the same sectors) and further to last april resignation of the Director Fabio Roversi Monaco, currently consists of twenty-two members, seventeen of whom qualify as independent under Article 148, paragraph 3 of Italian Legislative Decree 58/98, ten of which sixteen also qualify as independent under the Code of Conduct in respect of listed companies.

**Board of Directors**

## Composition, Board of Directors:

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies
Renato Pagliaro *	Chairman ***	Milan, 20/2/57	30/6/14	Director, Telecom Italia Director, Pirelli & C.
Dieter Rampl	Deputy Chairman	Monaco, 5/9/47	30/6/14	Chairman of Supervisory Board, Koenig & Bauer Member of Supervisory Board, FC Bayern Munchen Director, KKR Management LLC Chairman of Management Board, Hypo-Kulturstiftung
Marco Tronchetti Provera <sup>o</sup>	Deputy Chairman	Milan, 18/1/48	30/6/14	Chairman and CEO, Pirelli & C. Chairman, Camfin Chairman, Pirelli Tyre Director Eurostazioni Director, F.C. Internazionale Milano
Alberto Nagel*	CEO ***	Milan, 7/6/65	30/6/14	-
Francesco Saverio Vinci *	General Manager ***	Milan, 10/11/62	30/6/14	Director, Banca Esperia Director, Perseo
Tarak Ammar	Ben Director	Tunis, 12/6/49	30/6/14	Director, Telecom Italia Chief Executive Officer (CEO), Quinta Communications Chairman and Director, Prima Tv Chairman, Carthago Film Chief Executive Officer (CEO) Andromeda Tunisie S.A. Chairman, Promotions et Participations International S.A.
Gilberto Benetton	Director	Treviso, 19/6/41	30/6/14	Chairman, Edizione Chairman, Autogrill Director, Sintonia Director, Pirelli & C. Director, Atlantia
Pier Silvio Berlusconi	Director	Milan, 28/4/69	30/6/14	Chairman and CEO, Reti Televisive Italiane Deputy Chairman, Mediaset Director, Arnoldo Mondadori Editore Director, Mediaset Espana Comunicacion Director, Medusa Film Director, Publitalia '80
Roberto	Director	Guastalla,	30/6/14	Chairman, Smeg

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies
Bertazzoni		10/12/42		Chairman and CEO, Erfin - Eridano Finanziaria
Angelo Casò *	Director	Milan, 11/8/40	30/6/14	Chairman, Milano Assicurazioni Chairman, Statutory Audit Committee, Benetton Group Chairman, Statutory Audit Committee, Edizione Chairman, Statutory Audit Committee, Bracco Chairman, Statutory Audit Committee Alchera Chairman, Statutory Audit Committee, Bracco Imaging Standing Auditor, Italmobiliare Chairman, Statutory Audit Committee, Bic Italia Standing Auditor, Italmobiliare Standing Auditor, Padis Investimenti Standing Auditor, Sidis Investimenti
Maurizio Cereda*	Director ***	Milan, 7/1/64	30/6/14	Director, Ansaldo STS Director, Enervit
Christian Collin	Director	Neuilly sur Seine, 11/5/54	30/6/14	General Manager, Groupama Director, Société Tunisienne d'Assurances et de Réassurances Director, La Banque Postale Assurances Iard
Massimo Di Carlo*	Director ***	Rovereto, 25/6/63	30/6/14	
Alessandro Decio	Director	Milan, 10/1/66	30/6/14	Member of Supervisory Board, Bank Pekao Member of Supervisory Board Unicredit Bank Austria Member of Supervisory Board, Zao Unicredit Bank
Bruno Ermolli	Director	Varese, 6/3/39	30/6/14	Chairman, Promos Chairman, Sinergetica Director, Arnoldo Mondadori Editore Director, Mediaset Director, Pasticceria Bindi Director S.I.P.A.
Anne Marie Idrac	Director	Saint Brieuç, 27/7/51	30/6/14	Director, Total Director, Bouygues Director, Compagnie de Saint Gobain Member of Supervisory Board, Vallourec

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies
Carlo Pesenti	Director	Milano, 30/3/63	30/6/14	General Manager and Director Italmobiliare CEO, Italcementi Deputy Chairman, Ciments Français Director, RCS MediaGroup
Vanessa Labérenne	Director	Paris 08/01/78	30/6/14	-
Alberto Pecci	Director	Pistoia 18/09/43	30/6/14	Director, E. Pecci Chairman, Pecci Filati Chairman and Director, Pontoglio Director El.En.
Giorgio Guazzaloca	Director	Bazzano (BO) 06/12/1944	30/6/14	
Eric Strutz *	Director	Mainz, 13/12/64	30/6/14	Member of Board of Partners Group Holding
Elisabetta Magistretti	Director	Busto Arsizio, 21/7/47	30/6/14	Director, Gefran Director, Luxottica Group Director, Unicredit Audit Director, Pirelli & C.

◇ *Marco Tronchetti Provera informed the Board of Directors of Mediobanca that he was suspending himself following a first-degree ruling against him issued by the Court of Milan because of the crime pursuant to article 648 of the Italian Penal Code. As required by the legislation, pursuant to the Ministerial Decree 18 March 1998, n. 161 161/98, the Board of Director declared the suspension until next Meeting expected on the 28 October 2013.*

\* *Member of Executive Committee.*

\*\*\* *Member of Mediobanca senior management*

All Board members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence (in the latter case applicable only to the independent directors).

The address for all members of the Board of Directors for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

## Statutory Audit Committee

### Composition of Statutory Audit Committee:

Post	Nem	Place and date of birth	Term expires	Principal outside activities
Chairman	Freddi Natale	Rho, 6/6/52	FY 30/6/14	None
Standing Auditor	Villa Gabriele	Milan, 18/6/64	FY 30/6/14	None
Standing Auditor	Angelo Commno Maurizia	Rome, 18/6/48	FY 30/6/14	none
Alternate auditor	Guido Croci	Milan, 4/3/59	FY 30/6/14	none

Post	Nem	Place and date of birth	Term expires	Principal outside activities
Alternate auditor	Busso Mario	Turin,1/3/51	FY 30/6/14	none

All Statutory Audit Committee members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence; and are all registered as auditors.

The address for all members of the Statutory Audit Committee for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

### **General Manager and senior management**

Renato Pagliaro Chairman, Alberto Nagel Chief Executive Officer, Francesco Saverio Vinci General Manager, Maurizio Cereda and Massimo Di Carlo, Executive Directors of Mediobanca and Massimo Bertolini, Head of Company Financial Reporting.

The address for the General Manager and the senior management for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

### *Potential conflicts of interest among bodies responsible for governance, management and supervision*

At an annual general meeting held on 28 October 2011, the shareholders of Mediobanca authorized the directors with posts in banking enterprises to take office, as required by Article 2390 of the Italian Civil Code. Meanwhile, a ban was instituted pursuant Article 36 of Italian Decree Law 201/11, as converted into Italian Law 214/11, on representatives of banks, insurers and financial companies from holding positions in companies which operate in the same sectors. Each year the Board of Directors assess the positions of the individual directors, which may have changed as a result of changes in the activities or size of the other companies in which they hold posts. To this end, each director, in order to also avoid potential conflict of interest, shall inform the Board of any changes in the positions assumed by them in the course of their term of office.

Mediobanca also adopts the procedure recommended under Article 136 of the Italian Consolidated Banking Act for approval of transactions involving individuals who perform duties of management and control in other companies where these are Directors or Statutory Auditors.

Transactions with “related parties” are described in part H of the financial statements for the twelve months ended 30 June 2013.

As at the date of the Base Prospectus, to the knowledge of Mediobanca, none of the directors have private interests that potentially conflict with their functions or duties to Mediobanca.

### **Share capital**

#### *Amount of share capital issued*

As at 30 June 2013, Mediobanca’s share capital, fully subscribed and paid up, totalled € 430,564,606.00 made up of 861,129,212 par value €0.50 shares.

### **Main Shareholders**

### *Information on ownership structure*

Individuals or entities who based on the shareholders' register and available information as at 30 June 2013 own directly or indirectly financial instruments representing share capital with voting rights in excess of 2% of the company's share capital, directly or indirectly, are listed below:

	Shareholder	% of share capitale
1	UniCredit S.p.A.	8.76
2	Bolloré group	6.0
3	Groupama group	4.93
4	FINSOE group/Unipol(*)	3.87
5	Mediolanum group	3.50
6	Fondaz. Ca.Ris.Bo	2.95
7	Italmobiliare group	2.62
8	Edizione Benetton	2.16
9	Gruppo Fininvest	2.06

- *On 17 September 2013 the Gruppo Unipol Fondiaria SAI released ahead of time the entire shareholding equal to n. 33.019.886 Mediobanca shares from the Agreement.*

Mediobanca shareholders representing approx. 42% of the Bank's share capital entered into a shareholders' agreement in 2007 (subsequently amended in October 2008 to reflect the new corporate governance model adopted) which expired on 31 December 2011. On 4 October 2011, the shareholders renewed the Shareholders' Agreement until 31 December 2013.

The Agreement, which is filed with the Milan companies' register, is a block shareholders' agreement aimed at preserving a stable shareholder base combined with representative governing bodies to ensure consistent management objectives. In order to achieve these objectives, these shareholders, divided into three groups, concur in seeing the traditional system of corporate governance which leverages on the management and provides greater clarity in the roles of the various governing bodies within the company, as fundamental to safeguarding the characteristics, function and traditional independence of Mediobanca and to ensuring that consistent management objectives are pursued.

An excerpt from the Agreement may be found on the relevant Issuer's website at [www.mediobanca.it](http://www.mediobanca.it).

*Agreements the performance of which may result in a change of control subsequent to the date hereof*

Mediobanca is not aware of any agreements aimed at bringing about future changes regarding the ownership structure of Mediobanca.

### **Auditors of the Financial Statements**

#### *External auditors and auditors responsible for auditing the financial statements*

At an annual general meeting held on 27 October 2012, the shareholders of Mediobanca appointed PricewaterhouseCoopers S.p.A. to audit the Bank's individual and consolidated full-year and interim financial statements, to perform other activities provided for under Article 155 of Italian Legislative Decree 58/98, and to sign off the "Unico" and "770" tax declarations, up to and including the financial year ending 30 June 2021.

PricewaterhouseCoopers S.p.A. a company with its registered offices in via Monte Rosa 91, Milan, Italy, has audited the individual and consolidated financial statements of Mediobanca as at 30 June

2013. PricewaterhouseCoopers S.p.A is registered under No. 119644 in the Register of Accounting Auditors (*Registro dei Revisori Contabili*).

*External supervisory bodies other than the external auditors*

There are no external supervisory bodies other than the external auditors.

*Information regarding resignations, dismissals or failures to renew the appointment of the external auditors or the auditors responsible for auditing the financial statements*

No resignations, dismissals or failures to renew the appointment of the external auditors have occurred during the period under review.

**Legal and arbitration proceedings**

As at the date of the Base Prospectus, none of Mediobanca and its consolidated subsidiaries is or has been involved in any governmental, legal, arbitration or administrative proceedings relating to claims or amounts of money which may have, or have had in the recent past, a material impact on the Mediobanca Group's financial position or profitability, and as far as Mediobanca is aware, no such litigation, arbitration or administrative proceedings has either been announced or is pending.

Events which characterized the financial year included:

1. A total of thirteen claims against Mediobanca, jointly with the other parties in their alleged failure to launch a full takeover bid for La Fondiaria in 2002, are still pending for damages amounting to approx. €100m. The present status of the trials in respect of these claims is as follows:
  - the court of cassation has ruled against Mediobanca on three claims, which have now reverted to the court of appeal for the rulings to be prosecuted;
  - one claim in which the court of cassation ruled against Mediobanca, which still has to be reverted to the court of appeal for the rulings to be prosecuted;
  - three claims, in which the court of appeals has ruled in favour of Mediobanca, are pending at the court of cassation; for a further three claims where again the ruling has gone in favour of Mediobanca, the term for presenting appeals to the court of cassation is now pending;
  - two claims, in which the ruling went against Mediobanca, are pending before the court of appeals in Milan;
  - a new claim has been submitted to the court of Milan.
2. In addition two claims has been filed against Mediobanca before the court of Milan relating to:
  - claim against Mediobanca, jointly with other four defendants, for a compensation of Euro 73m and relating to the fact that, notwithstanding their role as shareholders, no takeover bid on Impregilo has been made.

- claim by Centrobanca to have Mediobanca joining the lawsuit commenced against Centrobanca by Burani Designer Holding NV and Mariella Burani Family Holding S.p.A. within the bankruptcy proceeding; the claim against Mediobanca is for an amount of 134.4m and relates to compensation
3. At the date of the present document, in relation to the notice of investigation from the public prosecutor's office of Milan, received on July 2012 by the Chief Executive Officer of Mediobanca, Alberto Nagel, with which he received the notice that he was under investigation for the alleged crime of "obstructing the public supervisory authorities in the exercise of their duties" (under Article 2638 of the Italian Civil Code) in connection with the Unipol/Fondiaria-SAI merger, there have been no significant further information to be mentioned by the relevant Issuer.

A "provision for risks and liabilities" has been made in the balance sheet as at 30 June 2013 in an amount of €164.5m to cover, inter alia, risks not necessarily linked to the failure to meet obligations or repay loans which could lead to charges in the future.

### **Material Agreements**

Neither Mediobanca nor any of the companies controlled by Mediobanca has entered into or participates in agreements outside of their normal course of business which could result an obligation or entitlement for Group members that would impact significantly on the relevant Issuer's ability to meet its obligations in respect of the holders of financial instruments issued or to be issued.

**FINANCIAL INFORMATION OF MEDIOBANCA – BANCA DI CREDITO FINANZIARIO  
S.P.A.**

The consolidated annual financial statements of Mediobanca as at and for the years ended 30 June 2013 and 2012 were prepared in accordance with IFRS as adopted by the European Union.

All of the above consolidated annual financial statements, prepared in each case together with the notes thereto, are incorporated by reference in this Base Prospectus. See “Documents Incorporated by Reference”.

The annual consolidated financial statement as at 30 June 2013 has been audited by PricewaterhouseCoopers S.p.A., the annual consolidated financial statement for the year 2012 have been audited by Reconta Ernst & Young S.p.A., whose reports thereon are attached to such annual financial statements.

## INFORMATION ON MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

### General Information

Name:	Mediobanca International (Luxembourg) S.A. (“ <b>Mediobanca International</b> ”).
Date of Incorporation:	Mediobanca International was incorporated on 13 September 1990 and its registered office was transferred to Luxembourg by a resolution of the Shareholders before a notary on December 21, 2005 and the articles of incorporation were published in the <i>Mémorial Recueil des Sociétés et Associations</i> number 567 on 17 March 2006. The articles of association have been amended on 5 October 2007 and have been published in the <i>Mémorial Recueil des Sociétés et Associations</i> number 2995 on 24 December 2007.
Legislation:	Mediobanca International operates under Luxembourg law.
Registered Office and Telephone Number:	4, Boulevard Joseph II, L-1840 Luxembourg, Tel. no.: (00352) 267303-1.
Registration:	Registre de Commerce et des Sociétés Luxembourg number B 112885.
Financial Year:	Mediobanca International's financial year ends on 30th June of each year.
General Meetings:	General Meetings are held at least once a year.

### Share Information

Authorised and Issued Capital:	EUR 10,000,000 divided into 1,000,000 ordinary shares of EUR 10.00 each.
Reserves:	EUR 221,051,434 as at 30 June 2013.
Controlling Shareholders:	Mediobanca - Banca di Credito Finanziario S.p.A.
Change of control:	Mediobanca International is not aware of any agreements aimed at bringing about future changes regarding the ownership structure of Mediobanca International.

### Management

Board of Directors:	The Articles of Association provide for a Board of Directors consisting of at least three members elected by the general meeting of shareholders for a term of office not to exceed six years.
Directors:	The Board of Directors is responsible for setting authorisation levels, defining organisational structure, defining the system of internal control and reviewing it on a regular basis, and approving

the bank's accounts and interim statements. The Board of Directors consists of the following eight Directors:

<i>Director</i>	<i>Place and date of birth</i>	<i>Principal activities performed by the Directors outside Mediobanca International</i>
Massimo Di Carlo (Chairman)	Rovereto on 25 June 1963	Deputy General Manager of Mediobanca
Stefano Biondi	Roma on 6 April 1977	-
Peter Gerrard	New York on 21 October 1947	International banking executive
Luca Tiziano Maccari	Milano on 14 March 1971	CFO Banca Esperia SpA
Stefano Pellegrino	Cassino on 22 January 1966	Manager of Mediobanca S.p.A., Managing Director of Spafid S.p.A. and Prudentia S.p.A.
Silvio Perazzini	Gargnano on 27 June 1943	External advisor of Mediobanca
Federico Potsios	Rome on 17 July 1963	Lending division manager in Mediobanca
Stéphane Bosi	Monticelli d'Ongina on 27 April 1953	International banking executive
Alex Schmitt	Luxembourg on 24 March 1953	Attorney at law, member of Luxembourg bar, partner of the law firm Bonn & Schmitt

The business address of each of the directors is 4, Boulevard Joseph II, L-1840 Luxembourg, with the exception of Alex Schmitt whose business address is 22-24 Rives de Clausen, L-2165 Luxembourg.

As at the date of the Base Prospectus, to the knowledge of Mediobanca International, there is no potential conflict of interest between any of the Directors' duties to Mediobanca International and their private interests or other duties.

Managing Directors: Day-to-day management is entrusted to two managing directors: Peter Gerrard (Board member) and Stefano Biondi (Board member).

Approved independent auditors: PricewaterhouseCoopers Luxembourg, a *société coopérative* incorporated under the laws of Luxembourg, with its registered office at 400, Route d'Esch, L-1014 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B.65477, was designated, during the Board of Directors held on 11 September 2012, the Mediobanca's independent auditor (*réviseur d'entreprises agréé*).

PwC Luxembourg, has audited the non-consolidated financial statements of Mediobanca as at and for the year ended 30 June 2013, and will audit the non-consolidated financial statements of Mediobanca as at and for the two years ending 30 June 2014 and 2015.

PwC Luxembourg is registered as a corporate body with the public register of company auditors drawn up by the Luxembourg Ministry of Justice and is a member of the Institute of Auditors (*l'Institut des Réviseurs d'Enterprises*) and is approved by the Commission de Surveillance du Secteur Financier ("CSSF") in the context of the law dated 18 December 2009 relating to the audit profession, as amended.

Ernst & Young S.A., cabinet de revision agréé, Luxembourg, a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg, with its registered office at 7, rue Gabriel Lippmann-Parc d'Activité Syrdall 2, 5365 Munsbach, Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B.47.771, audited the non-consolidated financial statements of the Company as at and for the three years ended 30 June 2012, 2011 and 2010.

Ernst & Young S.A., Luxembourg, is registered as a corporate body with the public register of company auditors drawn up by the Luxembourg Ministry of Justice and is a member of the Institute of Auditors (*l'Institut des Réviseurs d'Enterprises*) and is approved by the Commission de Surveillance du Secteur Financier ("CSSF") in the context of the law dated 18 December 2009 relating to the audit profession, as amended.

Corporate governance: The Articles of Association comply with corporate governance model in place in Luxembourg.

### **Object and General Business Policy**

Business Operations: Mediobanca International may carry out, either within or outside the

Grand Duchy of Luxembourg, any banking or financial operations authorised by the law relating to the financial sector.

Mediobanca International's principal activity consists of raising funds on international markets, by issues of bonds chiefly under a short and medium term notes programme guaranteed by Mediobanca. Mediobanca International is also engaged in corporate lending operations.

**Risk Management:** All interest rate, currency, credit and other risks are managed within the Mediobanca Group.

**Tax Treatment:** See “*Taxation - (B) Tax Regime for Mediobanca International issues - Luxembourg*”.

### Shareholders Equity and Medium and Long Term Debt

The following table shows the capitalisation in Euro of Mediobanca International as at 30 June 2013 and 2012.

	<b>As at 30 June</b>		
	<b>2013</b>	<b>2012</b>	<b>(Euro)</b>
<b>Shareholders equity</b>			
Share capital	10,000,000	10,000,000	
Reserves	221,051,434	192,623,000	
Retained earnings	--	--	
Net profit	14,748,992	28,428,435	
Total Shareholder's equity	245,800,426	231,051,435	
<b>Medium and long-term debt<sup>2</sup></b>			
1. Amounts owed to credit institutions	978,792,213	1,939,348,204	
2. Notes and bonds payable	1,372,748,614	1,623,748,245	
Total medium and long-term debt	2,351,540,827	3,563,096,449	
<b>Total capitalisation</b>	<b>2,597,341,253</b>	<b>3,794,147,884</b>	

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<sup>2</sup> Medium and Long-term debt consists of amounts owed to credit institutions and notes and bonds payable for which the original maturity, at the date of issuance, was 18-months or longer.

**FINANCIAL INFORMATION OF MEDIOBANCA INTERNATIONAL  
(LUXEMBOURG) S.A.**

Mediobanca International only produces non-consolidated financial statements.

The audited non-consolidated financial statements of Mediobanca International as at and for the years ended 30 June 2013 and 2012, in each case together with the notes thereto, are incorporated by reference in this Base Prospectus. See “Documents Incorporated by Reference”.

The annual non-consolidated financial statements of Mediobanca International as at and for the years ended 30 June 2013 and 2012 have been prepared in accordance with IFRS as adopted by the European Union.

The annual non-consolidated financial statements as at and for the year ended 30 June 2013 have been audited by PricewaterhouseCoopers, Société coopérative, the annual non-consolidated financial statements for the year 2012 have been audited by Ernst & Young S.A., whose reports thereon are attached to such annual non-consolidated financial statements.

## PLAN OF DISTRIBUTION

References in this Base Prospectus to “**Mandated Dealer(s)**” are to the entity listed in the paragraph headed “**Dealer**” in the section headed “Description of the Issuance Programme” above and to such additional entities which are appointed from time to time as dealers in respect of the whole Programme (and whose appointment has not been terminated). References to “**Dealers**” are to all entities appointed from time to time as a dealer solely in respect of one or more Tranches, which may include but is not limited to, any Mandated Dealer(s).

The Issuers may from time to time appoint one or more Dealer(s) in respect of the Programme or in relation to a single Tranche only during the term of the Securities. Any such new Dealer(s) shall accede to the Dealer Agreement by execution of a dealer accession letter substantially in the form set out in Schedule 4 (*Form of Dealer Accession Letter*) to the Programme Manual (the “**Dealer Accession Letter**”) and will become a party to a dealer agreement dated 6 March 2014 between the Issuers, Guarantor and Mandated Dealer, as further amended or supplemented from time to time (the “**Dealer Agreement**”) with all the authority, rights, powers, duties and obligations of a Dealer as if originally named as a Dealer thereunder.

Subject to the terms and conditions of the Dealer Agreement, the Securities will be offered on a continuous basis by each Issuer to the Mandated Dealers. However, in respect of single Tranches, the relevant Issuer has reserved the right to sell Securities directly on its own behalf to Dealers which are not Mandated Dealers.

The relevant Issuer may also offer and sell Securities directly to investors without the involvement of any Dealer.

The Securities may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Securities may also be sold by the relevant Issuer through the Dealers, acting as agents of such Issuer. The Dealer Agreement also provides for Securities to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers.

Pursuant to the terms and conditions of the Dealer Agreement, the relevant Issuer, failing which, where applicable, the Guarantor, has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Securities. The Dealer Agreement may be terminated in relation to all the Dealers or any of them by Mediobanca and Mediobanca International, acting together or, in relation to itself and Mediobanca and Mediobanca International only, by any Dealer, at any time on giving not less than ten Business Days' notice.

### General

The selling restrictions described below may be modified by the agreement of the relevant Issuer, the Guarantor (where applicable) and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer and each further Dealer appointed under the Programme has agreed that it will comply with all relevant laws, regulations and directives in force in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Securities 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 relevant Issuer, the Guarantor (where applicable), nor any other Dealer shall have responsibility therefor.

### **European Economic Area**

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

- (a) if the final terms in relation to the Securities specify that an offer of those Securities 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 Securities 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 relevant Issuer has consented in writing to its use for the purpose of the Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer;  
or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive

provided that no such offer of Securities referred to in (b) to (d) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (ii) an “**offer of Securities to the public**” in relation to any Securities 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- (iii) the “**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);
- (iv) the “**2010 Amending Directive**” means Directive 2010/73/EC.

## **Ireland**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not underwrite, offer, place or do anything with respect to the Securities:

- (a) otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007, as amended (the “**MiFID Regulations**”) if operating in or otherwise involving Ireland and, if acting under and within the terms of an authorisation to do so for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (MiFID) it has complied with any applicable requirements of the MiFID Regulations or as imposed, or deemed to have been imposed, by the Central Bank pursuant to the MiFID Regulations and, if acting within the terms of an authorisation granted to it for the purposes of Directive 2006/48/EC of the European Parliament and the Council of the 14 June 2006 relating to the taking up and the pursuit of the business of credit institutions as amended, replaced or consolidated from time to time, it has complied with any codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989 of Ireland (as amended) and any applicable requirements of the MiFID Regulations or as imposed pursuant to the MiFID Regulations;
- (b) otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland (as amended) and any rules made by the Central Bank pursuant thereto, including any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank;
- (c) otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (as amended) and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank and the Central Bank Acts 1942 to 2013 of Ireland; and
- (d) otherwise than in compliance with the provisions of the Companies Acts 1963 to 2012 of Ireland.

## **United States of America**

The Securities 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.

Securities in bearer form 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 U.S. person, subject to certain exemptions. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer sell or deliver the Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Securities comprising the relevant Tranche as determined, and certified to the relevant Issuer or the Fiscal Agent by such Dealer (or, in the case of a sale of a Tranche of Securities to or through more than one Dealer, by each of such Dealers as to the Securities of such Tranche purchased by or through it in which case the Fiscal Agent or the relevant Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will have sent to each dealer to which it sells Securities during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Securities 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities 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 applicable exemption from registration under the Securities Act (if available).

### **United Kingdom**

In relation to each Tranche of Securities, each Dealer subscribing for or purchasing such Securities represents to and agrees with the relevant Issuer, the Guarantor (where applicable) and each other such Dealer (if any) that:

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) *No deposit-taking*: in relation to any Securities having a maturity of less than one year from the date of issue:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Securities other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the relevant Issuer;

- (b) *Financial promotion*: 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 FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor (where applicable); and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

### **Republic of Italy**

The offering of the Securities has not been registered and will not be registered with the Italian Financial Regulator (*Commissione Nazionale per le Società e la Borsa* or “CONSOB”) pursuant to Italian securities legislation and, accordingly, the Dealer has represented and agreed, and each further Dealer appointed under the Programme and each other Dealer will be required to represent and agree, that no Securities may be offered, sold, promoted, advertised or delivered, directly or indirectly, to the public in the Republic of Italy, nor may copies of this Base Prospectus, any Final Terms or any other document relating to the Securities be distributed, made available or advertised in the Republic of Italy, except:

- (1) if it is specified within the relevant Final Terms that a non-exempt offer may be made in the Republic of Italy, that each Dealer may offer, sell or deliver Securities or distribute copies of any prospectus relating to such Securities, provided that such prospectus has been (i) approved in another Relevant Member State and notified to CONSOB, and (ii) completed by final terms (if applicable) expressly contemplating such non-exempt offer, in an offer of financial products to the public in the period commencing on the date of approval of such prospectus, in accordance with the Prospectus Directive, as implemented in the Republic of Italy under the Italian Legislative Decree No. 58 of 24th February, 1998 as amended from time to time (the “**Italian Financial Services Act**”) and CONSOB Regulation No. 11971 as amended from time to time (“**CONSOB Regulation No. 11971**”), until 12 months after the date of approval of such prospectus; or
- (2) to “**Qualified Investors**” (Investitori Qualificati) as defined pursuant to article 100, paragraph 1(a) of Italian Financial Services Act, and in article 34-ter, paragraph 1(b) of CONSOB Regulation No. 11971; or
- (3) in any other circumstances where an express applicable exemption from compliance with the restrictions on the offer of financial products to the public applies, as provided under the Italian Financial Services Act and/or CONSOB Regulation No. 11971 and any other applicable laws and regulations.

Any such offer, sale or delivery of the Securities or distribution of copies of this Base Prospectus, any Final Terms or any other document relating to the Securities in the Republic of Italy under (1), (2) or (3) 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 Italian Financial Services Act, and CONSOB Regulation No. 16190 of 29th October, 2007 (each as amended from time to time); and
- (b) in compliance with any other applicable laws and regulations or requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or any other Italian competent authority.

***Provisions relating to the secondary market in Republic of Italy***

Investors should also note that, in accordance with article 100-bis of the Italian Financial Services Act:

- (x) if any of the Securities have been initially placed pursuant to an exemption to publish a prospectus, the subsequent distribution of such Securities on the secondary market in Italy which is not carried out under an exemption pursuant to (2) or (3) must be made in compliance with the rules on offer of securities to the public provided under the Italian Financial Services Act and CONSOB Regulation No. 11971;
- (y) if any of the Securities which have been initially placed with Qualified Investors in Italy or abroad are then systematically resold to non-Qualified Investors at any time in the 12 months following such placing, such resale would qualify as an offer of securities to the public if no exemption under (3) above applies. Where this occurs, if a prospectus compliant with the Prospectus Directive has not been published, investors who purchase such Securities (who are acting outside of the course of their business or profession) may be entitled to obtain that the resale is declared null and void and the authorised entities ("soggetti abilitati" as defined in the Italian Financial Services Act) transferring the Securities may be held liable for any damages suffered by the investors; and
- (z) any intermediary subsequently reselling the Securities is entitled to rely upon the prospectus published by the issuer or the person responsible for drawing up a prospectus as long as this is valid, duly supplemented in accordance with the Italian Financial Services Act and CONSOB Regulation No. 11971 and provided that the issuer or the person responsible for drawing up a prospectus gives its written consent to its use.

**Japan**

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken and each further Dealer appointed under the Programme will be required to undertake that it will not offer or sell any Securities directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the

relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Securities will be in the following form completed to reflect the particular terms of the relevant Securities and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

### Final Terms

**[MEDIOBANCA - Banca di Credito Finanziario S.p.A./**

**MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.]**

**Issue of [currency] [aggregate principal amount] [number] [Certificates] [Warrants] due  
[maturity]**

**[guaranteed in the case of Securities issued by  
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. by**

**MEDIOBANCA - Banca di Credito Finanziario S.p.A.]**

**under the**

**Issuance Programme**

SERIES NO: [    ]

TRANCHE NO: [    ]

Issue Price: [    ] per cent.

**[Dealer(s)]**

The date of these Final Terms is [    ]

[The Base Prospectus referred to below (as completed by [the supplement to the Base Prospectus dated [ ] and] these Final Terms) has been prepared on the basis that, except as provided in subparagraph (ii) below, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (as amended) (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 Securities. Accordingly any person making or intending to make an offer of the Securities may only do so:

- (i) in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in [Paragraph 9] (*Non-exempt offer*) of Part B below, provided such person is one of the persons mentioned in [Paragraph 9] (*Non-exempt offer*) of Part B below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the relevant Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.]<sup>3</sup>

[The Base Prospectus referred to below (as completed by [the supplement to the Base Prospectus dated [ ] and] these Final Terms) has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (as amended) (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 offer of the Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of the Securities may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the relevant Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.]<sup>4</sup>

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<sup>3</sup> Include where a non-exempt offer of Securities is anticipated.

<sup>4</sup> Include where an exempt offer of Securities is anticipated.

[This document constitutes the Final Terms relating to the issue of Securities described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities set forth in the Base Prospectus dated 6 March 2014 [and the supplement to the Base Prospectus dated [insert date] [delete if not applicable],] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended). This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as supplemented from time to time]. Full information on the relevant Issuer [and the Guarantor] and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplement to the Base Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address]]

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

[This document constitutes the Final Terms relating to the issue of Securities described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the “**Conditions**”) set forth in the Base Prospectus dated [date of original base prospectus]. This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (as amended) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 6 March 2014 [and the supplement to the Base Prospectus dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] which is incorporated by reference to the Base Prospectus dated 6 March 2014. Full information on the relevant Issuer [and the Guarantor] and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated 6 March 2014 and [ ] 2014 [and the supplement to the Base Prospectus dated [ ]]. The Base Prospectuses [and the supplement to the Base Prospectus] [is/are] available for viewing at the registered office[s] of the relevant Issuer [and of the Guarantor] [at [ ]].] The Base Prospectus and, in the case of Securities admitted to trading on the regulated market of the Irish Stock Exchange, the applicable Final Terms will also be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).]

[A summary of the individual issue is annexed to these Final Terms.]<sup>5</sup>

*[Include whichever of the following apply or specify as “not applicable”. Note that the numbering should remain as set out below, even if individual items are deleted.]*

*[When completing any final terms, 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.]*

*[If the Securities have a maturity of less than one year from the date of their issue, the minimum redemption value may need to be EUR 100,000 or its equivalent in any other currency.]*

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<sup>5</sup> Include only where a non-exempt offer of Securities is anticipated.

## PART A – GENERAL

### GENERAL PROVISIONS

- 1 Series details:
- (i) Series Number: [ ]
  - (ii) Tranche Number: [ ]
  - (iii) No. of Securities issued: [ ]
  - (iv) No. of Securities per Unit [Not applicable][ ] (*Only applicable for Warrants*)
  - (vi) Issue price per [Security][Unit] [ ] (*Issue Price per Unit only applicable for Warrants*)
  - (vii) Issue Date: [ ]
  - (viii) Nominal Amount per Security: [ ] [Not Applicable]
  - (ix) [Date [Board] approval for issuance of Securities [and Guarantee] obtained: [Not applicable] [ ] [and [ ] , respectively]]  
  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Securities or related guarantee of the Securities)*
2. Consolidation: [Not applicable] [The Securities are to be consolidated and form a single series with the *[insert title of relevant series of Securities]* issued on *[insert issue date]* with effect from *[insert date on which the Securities become fungible].*] (*N.B. Only applicable in relation to Securities which are fungible with an existing series of Securities*)
3. Type of Securities and Reference Item:
- (i) Type of Securities: The Securities are [Certificates] [Warrants]. [The Securities [are European Style Warrants] [American Style Warrants]. The Securities are [Index Securities] [Share Securities] [Currency Securities] [Debt Securities] [Commodity Securities] [Fund Securities] [Credit Securities].

- (ii) Reference Item:  [*specify Reference Item*]  
 [Reference Item 1: ]  
 [Reference Item 2: ]  
 [*specify Reference Item 1 and Reference Item 1 if Performance Differential applies*]  
 [The Components comprising the Basket are:  
 [*specify Components*]  
 [The Component Weight(s) to be applied to each Component comprising the Basket are: ].]
4. Exercise:
- (i) Exercise Date:  [Not applicable]  [*Applicable in relation to Certificates and European Style Warrants*]
- (ii) Renouncement Notice Cut-off Time  [Not applicable]  [*Only applicable for Italian Listed Securities*]
5. Barrier Event:  [Not applicable]  [applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Barrier Event:  [*Applicable in relation to Certificates and European Style Warrants*]
- (ii) Barrier Level:  []
- (iii) Barrier Cash Settlement Amount:  [Not applicable]  [As specified in Condition [16(D)] [19(D)]]
- (iv) Barrier Entitlement:  [Not applicable]  [As specified in Condition [16(D)] [19(D)]]
- (v) Barrier Maximum Amount:  [Not applicable]
- (vi) Barrier Minimum Amount:  [Not applicable]
- (vii) Barrier Exercise Date:  [] [and the Securities shall be automatically exercised on  [such date]]
- (viii) Barrier Observation Date:  [Not applicable]  []

- (ix) Barrier Observation Period: [Not applicable] [ ]
6. Settlement: Settlement will be by way of [cash payment (“**Cash Settled Securities**”)] [and/or] [physical delivery (“**Physical Delivery Securities**”)].
- (i) Issuer’s option to vary settlement: The Issuer [has] [does not have] the option to vary settlement in respect of the Securities.
- (ii) Settlement Date: [Not applicable] [The settlement date for the Securities is [ ]]. (*N.B. Applicable for Physical Delivery Securities. Only applicable for Cash Settled Securities if Settlement Date is different from the definition in Condition 3*).
- (iii) Settlement Business Day Centre(s): [Not applicable] [The applicable Settlement Business Day Centre[s] for the purposes of the definition of “Settlement Business Day” in Condition 3 [is/are] [ ]]. (*N.B. Only applicable in the case of Physical Delivery Securities*).
- (iv) Valuation Date: [Not applicable] [ ] (*N.B. Applicable for Cash Settled Securities that are Certificates*)
- (v) Averaging: Averaging [applies] [does not apply] to the Securities. [The Averaging Dates are [ ].]  
 [In the event that an Averaging Date is a Disrupted Day, [Omission] [Postponement] [Modified Postponement] (as defined in Condition 3) will apply.
7. Cash Settlement: [Applicable] [Not applicable]  
 (*N.B. Only applicable in relation to Cash Settled Securities.*)
- (i) Cash Settlement Amount: [Not applicable] [ ] [As specified in Condition 3]  
 [Normal Performance is applicable]  
 [Performance Differential is applicable]

- (ii) Participation Factor: [Not applicable] [ ]
- (iii) Guaranteed Cash Settlement Amount: [Not applicable] [ ] [As specified in Condition 2]
- (iv) Maximum Amount [Not applicable] [ ]
- (v) Minimum Amount [Not applicable] [ ]
- (vi) Exchange Rate: The applicable rate of exchange for conversion of any amount into the relevant settlement currency for the purposes of determining the Settlement Price (as defined in Condition 3) or the Cash Settlement Amount (as defined in Condition 3) is *[insert rate of exchange and details of how and when such rate is to be ascertained]*.
- (vii) Settlement Currency: [Not applicable] [The settlement currency for the payment of the Cash Settlement Amount is [ ].]
8. Physical Settlement: [Applicable] [Not applicable]
- (N.B. Only applicable in relation to Physical Delivery Securities.)*
- (i) Entitlement: [Not applicable] [The Entitlement (as defined in Condition 3) in relation to each Security is [ ].]
- (N.B. Only applicable in relation to Physical Delivery Securities)*
- (ii) Relevant Asset(s): [Not applicable] [The Relevant Asset[s] [is/are] [ ].]
- (N.B. Only applicable in relation to Physical Delivery Securities. Complete for each Component, where applicable)*
- (iii) Entitlement Units [Not applicable]
- [ ] unit[s] of the Relevant Asset[s] relating to the [Component which is [ ]] [Reference Item] (where the intention is to deliver a basket, insert details of the units of the Relevant Asset[s] relating to each*

Component)

[ ]

*[Not applicable where Entitlement stated above and definition not required. Where Entitlement Units are included, insert Entitlement Multiplier below where relevant]*

(iv) Entitlement Multiplier

[Not applicable]

[ ] [The quotient of [the Nominal Amount] [100] [ ] (as numerator) and the Initial Reference Level (as denominator)]

*[Not applicable where Entitlement stated above and definition not required. Where Entitlement Units are included, insert Entitlement Multiplier where relevant]*

(iii) Evidence of Entitlement:

[Not applicable] [The Entitlement will be evidenced by *[insert details of how the Entitlement will be evidenced].*]

(iv) Delivery of Entitlement:

[Not applicable] [The Entitlement will be delivered *[insert details of the method of delivery of the Entitlement].*]

(v) Settlement Currency:

[Not applicable] [The settlement currency for the payment of the Settlement Disruption Amount (*in the case of Physical Delivery Securities*) is [ ].]

(vi) Failure to Deliver due to Illiquidity:

Failure to Deliver due to Illiquidity [applies] [does not apply] to the Securities.

*(N.B. (1) Only applicable in the case of Physical Delivery Securities. (2) Failure to Deliver due to Illiquidity is applicable to certain Share Securities. Careful consideration should be give to whether Failure to Deliver due to Illiquidity would apply to other Physical Delivery Securities)*

9. Business Day Centre(s):

The applicable Business Day Centre[s] for the purposes of the definition of “Business Day” in Condition 3 [is/are] [ ].

10. Name and address of Calculation Agent: The Calculation Agent is [ ] / (specify other).  
 [Insert address of Calculation Agent]

**PROVISIONS RELATING TO THE TYPE OF SECURITIES**

11. Index Securities Provisions: [Applicable] [Not applicable]  
 (If not applicable, delete the remaining sub-paragraphs of this paragraph)

*(The following applicable in relation to Index Securities other than Index Securities relating to a Commodity Index. Insert the following for the Reference Item/each Component in a Basket):*

- (i) Type of Index: [ ] [The Index] [is/are] not [a] Commodity [Index] [Indices].
- (ii) Index Sponsor: Not applicable] [The relevant Index Sponsor is [ ].]
- (iii) Exchange(s): [Not applicable] [As specified in Condition 3] [The relevant Exchange[s] [is/are] [ ].]
- (iv) Related Exchange(s): [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [ ]/[All Exchanges] ]
- (v) Index Currency: [Not applicable] [The relevant Index Currency is [ ].]
- (vi) Designated Multi-Exchange Indices: [Not applicable] [[ ] [The Index] is a Designated Multi-Exchange Index].] *(N.B. Designated Multi-Exchange Indices applies in relation to Euro Stoxx Indices).*

*(The following applicable in relation to Index Securities relating to a Commodity Index. Insert the following for the Reference Item/each Component in a Basket):*

- (i) Type of Index: [ ] [The Index] [is/are] [a] Commodity [Index] [Indices].
- (ii) Index Sponsor: [Not applicable] [The relevant Index

- Sponsor is [ ].]
- (iii) Exchange(s): [Not applicable] [As specified in Condition 3] [The relevant Exchange[s] [is/are] [ ].]
- (iv) Related Exchange(s): [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [ ]/[All Exchanges] ]
- (v) Commodity Index Reference Price: [Not applicable] [The Commodity Index Reference Price is [ ].]
- (vi) Commodity Index Cut-Off Date: [Not applicable] [The Commodity Index Cut-Off Date is [ ].] (*N.B. Only applicable if different from Condition 13*).
- (vii) Index Currency: [Not applicable] [The relevant Index Currency is [ ].]
- (viii) Designated Multi-Exchange Indices: [Not applicable] [[ ] [The Index] is a Designated Multi-Exchange Index.] (*N.B. Designated Multi-Exchange Indices applies in relation to Euro Stoxx Indices*).
12. Share Securities Provisions: [Applicable] [Not applicable]
- (Insert the following for the Reference Item/each Component in a Basket): (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Exchange(s): [For the purposes of Condition 3 and Condition 13, the relevant Exchange[s] [is/are] [ ].]
- (ii) Related Exchange(s): [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [ ]/[All Exchanges] ]
- (iii) Tender Offer: [Applicable/Not applicable]
- (N.B. Only applicable in relation to Share Securities)*
- (v) Valuation Time: The Valuation Time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.
- (Specify if Valuation Time is other than*

*official closing price)*

13. Currency Securities Provisions: [Applicable] [Not applicable]
- (Insert the following for the Reference Item/each Component in a Basket):* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Price Source: [Not applicable] [The relevant screen page (“**Price Source**”) is [ ].]
- (ii) Base Currency: [Not applicable] [The relevant base currency (the “**Base Currency**”) is [ ].]
- (iii) Subject Currency: [Not applicable] [The relevant subject [currency/currencies] (each a “**Subject Currency**”) [is/are] [ ].]
- (iv) Valuation Time: The Valuation Time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.
14. Debt Securities Provisions: [Applicable] [Not applicable]
- (Insert the following for the Reference Item/each Component in a Basket):* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Price Source: [Not applicable] [The relevant screen page (“**Price Source**”) is [ ].]
- (ii) Include Accrued Interest: [Not applicable] [Applicable - the bid price in respect of [the Reference Item] [the Component] shall include any accrued but unpaid interest.]
- (iii) Valuation Time: The Valuation Time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.
- (iv) Redemption of Debt Instruments: Replacement of Debt Instruments is [applicable] [not applicable]
15. Commodity Securities Provisions: [Applicable] [Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (Insert the following for the Reference Item/each Component in a Basket):*

- (i) Specified Futures Contract: [Not applicable] [●]
- (ii) Commodity Reference Price: [Not applicable] [●]
- (iii) Exchange Price: [Not applicable] [Applicable]
- Exchange: [Not applicable] [For the purposes of Condition 3 and Condition 13, the relevant Exchange[s] [is/are] [ ]].]
- Related Exchange(s): [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [ ]/[All Exchanges] ]
- (iv) Screen Price: [Not applicable] [Applicable]
- Specified Price: [Not applicable] [●]
- Valuation Time: The Valuation Time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.
- Price Source: [Not applicable] [The relevant screen page (“**Price Source**”) is [ ].]
- (v) Delivery Dates: [Not applicable] [●]
- (vi) Nearby Month: [Not applicable] [●]
- (vii) Market Disruption Events: [Price Source Disruption] [Trading Disruption] [Disappearance of Commodity Reference Price] [Tax Disruption] [Material Change in Content] [Material Change in Formula] [Early Closure].]
16. Fund Securities: [Applicable] [Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Exchange Price: [Not applicable] [Applicable]
- Exchange: [Not applicable] [For the purposes of Condition 3 and Condition 13, the relevant Exchange[s] [is/are] [ ]].]
- Related Exchange(s): [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [ ]

- ]/[All Exchanges] ]
- (ii) Screen Price: [Not applicable] [Applicable]
- Specified Price: [Not applicable] [●]
- Valuation Time: [Not applicable] [The Valuation Time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]
- Price Source: [Not applicable] [The relevant screen page (“**Price Source**”) is [ ].]
- (iii) NAV Price: [Not applicable] [Applicable]
- Valuation Time: [Not applicable] [The Valuation Time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]
- (iv) Substitution Events: [(a)] The following Substitution Events apply to the Securities:
- (Specify each of the following which applies.*
- [Audit Event
  - Charging Change
  - Corporate Event
  - Cross-contamination
  - Currency Change
  - Distribution Inkind
  - Fund Accounting Event
  - Fund Constitution Breach
  - Fund Constitution Change
  - Fund Regulatory Event
  - Fund Rules Breach
  - Fund Strategy Breach

Fund Strategy Change  
Fund Tax Event  
Hedging Event  
Investor Tax Event  
Litigation Event  
Management Change  
Mandatory Disposal  
Market Event  
NAV Suspension  
Performance Failure  
Potential Regulatory Event  
Redemption Failure  
Regulatory Event  
Subscription/Redemption Alteration  
Subscription/Redemption Restriction  
Transfer Restriction

17. Additional Disruption Events:

[(a)] The following Additional Disruption Events apply to the Securities:

*(Specify each of the following which applies.*

[Change in Law  
Force Majeure Event  
Hedging Disruption  
Increased Cost of Hedging  
Increased Cost of Stock Borrow  
Insolvency Filing  
Loss of Stock Borrow  
Price Correction]

[(b)] [The Trade Date is [insert [(i)

*Issue Date*]; [(ii) the date on which the relevant Dealer has agreed to subscribe a particular tranche of Securities; or [(ii) such other date that may be specified]].

*(N.B. only applicable if Change in Law and/or Increased Cost of Hedging is applicable)*

[(c)] [The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Share] is [ ].

*(N.B. Only applicable if Loss of Stock Borrow is applicable).]*

[(d)] [The Initial Stock Loan rate in respect of [specify in relation to each relevant Share] is [ ].

*(N.B. Only applicable if increased Cost of Stock Borrow is applicable).]*

*(N.B. Not applicable for Credit Securities).*

18. Credit Securities:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Type of Certificates:

[Single Name Credit Linked Certificates/First-to-Default Credit Linked Certificates/N<sup>th</sup>-to-Default Credit Linked Certificates\*/Linear Basket Credit-Linked Certificates]

*\*[Where the Certificates are N<sup>th</sup>-to-Default Credit Linked Certificates, specify the value of N, e.g. "Second-to-Default Credit Linked Certificates"]*

(ii) Settlement Basis:

[Cash Settlement/Physical Settlement/Auction Settlement or Physical Settlement or Auction Settlement] [As per Physical Settlement Matrix]

*[Cash Settlement **ONLY** for Single Name Credit Linked Certificates, First-*

*to-Default Credit Linked Certificates or N<sup>th</sup>-to-Default Credit Linked Certificates]*

- Fallback Settlement Basis: [Cash Settlement/Physical Settlement//Not Applicable] [As per Physical Settlement Matrix]
- [*Cash Settlement ONLY for Single Name Credit Linked Certificates, First-to-Default Credit Linked Certificates or N<sup>th</sup>-to-Default Credit Linked Certificates]*
- (iii) Reference Entity/ies: [Specify]
- [*Where the Certificates are Linear Basket Credit Linked Certificates, specify the value of the Related Nominal Amount for each Reference Entity]*
- (iv) Reference Obligation(s): [CUSIP/SIN: [●]] [None]
- (v) All Guarantees: [Applicable][Not applicable] [As per Physical Settlement Matrix]
- (vi) Credit Events: [Bankruptcy]
- [Failure to Pay]
- [Payment Requirement: [U.S.\$1,000,000] [ ] or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay]
- [Obligation Acceleration]
- [Obligation Default]
- [Repudiation/Moratorium Restructuring]
- [Restructuring Maturity Limitation and Fully Transferable Obligation: [Applicable] [Not Applicable]]
- [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Applicable]

[Not Applicable]]

[Default Requirement:  
[U.S.\$10,000,000] [ ] or its equivalent  
in the relevant Obligation Currency as  
of the occurrence of the relevant Credit  
Event]]

[Multiple Holder  
Obligation:[Applicable] [Not  
Applicable]]

(vii) Conditions to Settlement: [Credit Event Notice] [Notice of  
Publicly Available Information] [Notice  
of Physical Settlement] [*Select all that  
apply*] [As per Physical Settlement  
Matrix]

[Credit Event Determination Date  
Version A: [Applicable] [Not  
Applicable]]

[Credit Event Determination Date  
Version B: [Applicable] [Not  
Applicable]]

Notifying Party for Credit Event  
Notice: [ ]

[Specify (i) Issuer (ii) Calculation Agent  
or (iii) Issuer or Calculation Agent]

(viii) Notice of Publicly Available  
Information:

(a) Repudiation/ Moratorium [Yes] [No]  
Extension Condition:

(b) Grace Period Extension [Yes] [No]  
Condition:

(ix) Grace Period Extension: [Applicable][Not Applicable]

(x) Grace Period: [ ] days

[Not Applicable]

[If Grace Period Extension is

*applicable, consider whether or not to specify the number of days in the Grace Period. If a number of days is not so specified (in which case the paragraph may be deleted), the Grace Period will be the lesser of the applicable grace period with respect to the relevant Obligation and 30 calendar days.]*

[As per Physical Settlement Matrix]

- (xi) Credit Observation Start Date: [ ] [Not Applicable]
- (xii) Scheduled Observation End Date: [Not Applicable] [ ] [ (Specify if subject to adjustment in accordance with a Business Day Convention)]
- (xiii) Interest Payment Date Postponement: [Applicable (if Interest Payment Dates are to be delayed pending resolution of Potential Failure to Pay)]  
[Not Applicable]
- (xiv) Repudiation/Moratorium Scheduled Maturity Date Postponement: [Applicable (if Interest Payment Dates are to be delayed pending resolution of Potential Repudiation/Moratorium)]  
[Not Applicable]
- (xv) Obligation Category: [Payment] [Borrowed Money] [Reference Obligations Only] [Bond] [Loan] [Bond or Loan] [Select only one]  
[As per Physical Settlement Matrix]
- (xvi) Obligation Characteristics: [Not Subordinated Specified Currency] [Not Sovereign Lender] [Not Domestic Currency] [Not Domestic Law] [Listed] [Not Domestic Issuance] [None] [Specified Currency]  
[Select all that apply]  
[As per Physical Settlement Matrix]
- (xvii) Excluded Obligation(s): [ ] [Not Applicable]

- (xviii) Terms relating to Cash Settlement: [Applicable] [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Cash Settlement Date: [] Business Days [Not Applicable]
  - Cash Settlement Amount: [  ] [Not Applicable]
  - Valuation Method: [Highest] [Market Value] [Average Highest] [Average Market] [Blended Highest] [Blended Market] [Average Blended Market] [Average Blended Highest] [Not Applicable]
- (Only required if no Cash Settlement Amount is specified)*
- Single Valuation Date: [Specify] [Not Applicable]
  - Multiple Valuation Date: [Specify] [Not Applicable]
  - Valuation Dates: [Specify number of Valuation Dates]
  - Final Price: [  ] [Not Applicable]
  - Quotation Amount: [[€][\$] [  ]]
- [Delete paragraph if Quotation Amount is the outstanding principal balance of the Reference Obligation.]*
- Minimum Quotation Amount: [Specify] [as specified in Credit Linked Condition 14]
  - Quotation Method: [Bid/Offer/Mid-market] [as specified in Credit Linked Condition 14]
  - Valuation Time: [Specify]
- (xix) Terms relating to Auction Cash Settlement: [Applicable] [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Auction Cash Settlement Amount: [  ] [Not Applicable]
  - Auction Cash Settlement Date: [  ] [Not Applicable]

- (xx) [Applicable][Not Applicable]
- Terms relating to Physical Settlement: *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Physical Settlement Date: [  ] Business Days [As per Physical Settlement Matrix]
  - Partial Cash Settlement Date: [  ] [Not Applicable]
  - Partial Cash Settlement Amount: [  ] [Not Applicable]
  - Deliverable Obligation Category: [Payment] [Borrowed Money] [Reference Obligations Only] [Bond] [Loan] [Bond or Loan] [*Select only one*]  
[As per Physical Settlement Matrix]
  - Deliverable Obligation Characteristics: [Not Subordinated] [Specified Currency] [Not Sovereign Lender] [Not Domestic Currency] [Not Domestic Law] [Listed] [Not Contingent] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Maximum Maturity] [Accelerated or Matured] [Not Bearer]  
[*Select all that apply*]  
[As per Physical Settlement Matrix]
  - Excluded Deliverable Obligation(s): [  ] [Not Applicable]
  - Entity Type: [*Specify*] [Not Applicable]
  - Physical Settlement Matrix: [*Specify*] [Not Applicable]
  - Transaction Type: [*Specify*] [Not Applicable]
  - Transaction Type Standard Terms: [*Specify*] [Not Applicable]
- (xxi) Specified Currencies: [*Specify*]

(xxii)	Quotations:	[Include Accrued Interest] [Exclude Accrued Interest]
(xxiii)	Hedge Unwind Adjustment:	[Applicable] [Not Applicable]
(xxiv)	Business Day(s):	[Specify] [Not Applicable] [As per Physical Settlement Matrix]
(xxv)	Succession Event Backstop Date:	[ (Specify if subject to adjustment in accordance with a Business Day Convention)] [Not Applicable]
(xxvi)	minimum Exercise Amount:	[ ] [Not Applicable]
(xxvii)	Domestic Currency:	[ ] [Not Applicable]
(xxviii)	Qualifying Participation Seller	[ ] [Not Applicable]

### PROVISIONS RELATING TO WARRANTS ONLY

[The following provisions are only applicable to Warrants:]

19.	Type of Warrants:	[Not applicable]  [ (i) The Warrants are [European/American] Style Warrants.  [ (ii) The Warrants are [Call] [Put] Warrants.]
20.	Exercise Price:	[Not applicable] [The exercise price per [Warrant] [Unit] is [ ]. (N.B. This should take into account any relevant Multiplier and, in the case of an Index Security, must be expressed as a monetary value).]
21.	Strike Level:	[Not applicable] [ ]
22.	Exercise Period:	[Not applicable] [ ] (Only applicable for American Style Warrants).
23.	(i) Automatic Exercise:	[Not applicable]  [Automatic Exercise [applies] [does not apply] to the Warrants.]
	(ii) Renouncement Notice Cut-off Time:	[Not applicable] [ ] (Only applicable for Italian Listed Securities).
24.	Minimum Exercise Number:	[Not applicable] The minimum number of Warrants that may be exercised on any day

by any Securityholder is [ ] [and Warrants may only be exercised in integral multiples of [ ] Warrants in excess thereof].

25. Maximum Exercise Number: [Not applicable] The maximum number of Warrants that must be exercised on any day by any Securityholder or group of Securityholders (whether or not acting in concert) is [ ]. (N.B. not applicable for European Style Warrants).

26. Units: [Not applicable] [ ] (N.B. This is in addition to any requirements relating to "Minimum Exercise Number" or "Maximum Exercise Number" set out above).

### PROVISIONS RELATING TO REMUNERATION IN RESPECT OF CERTIFICATES

[The following provisions are only applicable to Certificates:]

27. Notional Amount per Certificates: [Not applicable] [ ]

28. Remuneration Rate Switch Date: [Not applicable] [ ]

29. Remuneration Barrier Event: [Not applicable] [ ]

(i) No Further Interest Accrual: [Applicable] [Not applicable]

(ii) No Interest Accrual for Remuneration Period: [Applicable] [Not applicable]

(iii) Remuneration Barrier Level: [ ]

(iv) Barrier Observation Date: [Not applicable] [ ]

(v) Barrier Observation Period: [Not applicable] [ ]

30. Fixed Rate Provisions: [Not applicable] [Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Remuneration Rate: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

(ii) Remuneration Payment Dates: [[ ] in each year [adjusted in accordance with [specify Business Day Convention] and the Settlement Date]

(iii) Fixed Remuneration Amount[(s)]: [ ] per Certificate

- (iv) Business Day Convention: [Following Business Day Convention  
[Modified Following Business Day  
Convention] [Preceding Business Day  
Convention]
- (v) Remuneration Rate Day Count Fraction: [Actual/360]  
[Actual/Actual (ISDA)]  
[Actual/365 (Fixed)]  
[30/360 (Floating) or 30/360 or Bond  
Basis] [30E/360 or Eurobond Basis]  
[30E/360 (ISDA)]
31. Floating Rate Provisions: [Not applicable] [Applicable]  
*(If not applicable, delete the remaining  
sub-paragraphs of this paragraph)*
- (i) Remuneration Payment Dates: [[ ] in each year [adjusted in  
accordance with [*specify Business Day  
Convention*] and the Settlement Date]
- (ii) Business Day Convention: [Following Business Day Convention]  
[Modified Following Business Day  
Convention] [Preceding Business Day  
Convention]
- (iii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination] [ISDA  
Determination] [CMS Determination]
- (iv) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [ ] [*Name*] *shall be the Calculation  
Agent (no need to specify if the Fiscal  
Agent is to perform this function)*
- (v) Screen Rate Determination: [Applicable/Not applicable]  
*(If not applicable, delete the remaining  
sub-paragraphs of this paragraph (v))*
- Reference Rate: [EURIBOR] [LIBOR] [LIBID] [LIMEAN]  
[CMS] [*specify relevant yield of  
Government securities*]
  - Specified Duration: [ ]
  - Rate Multiplier: [ ] [Not applicable]
  - Reference Rate Multiplier: [ ] [Not applicable]

- Remuneration Determination Date(s): [The Remuneration Determination Date in respect of each Remuneration Period is [the first day of each Remuneration Period] [the second day on which TARGET2 is open prior to the first day of each Remuneration Period] [the day falling two Banking Days prior to the first day of each Remuneration Period] [ ]] Typically second London business day prior to the start of each Remuneration Period if LIBOR (other than Sterling or euro LIBOR), first day of each Remuneration Period if Sterling LIBOR and the second TARGET Settlement Day prior to the start of each Remuneration Period if EURIBOR or euro LIBOR)
- Relevant Rate Screen Page: [ ] [For example, Reuters page EURIBOR01/other (give details)]
- Relevant Determination Time [ ] [For example, 11.00 a.m. [London / Brussels] time / other (give details)]
- Relevant Financial Centre [ ] [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro/other (give details))]
- Banking Days: [ ] [Not applicable]
- (vi) ISDA Determination: [Applicable/Not applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph (x) (ISDA Determination))*
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (vii) Margin(s): [+/-][ ] per cent. per annum
- (viii) Minimum Remuneration Rate: [ ]
- (ix) Maximum Remuneration Rate: [ ]
- (x) Remuneration Rate Day Count Fraction: [Actual/360]  
[Actual/Actual (ISDA)]

- [Actual/365 (Fixed)]
- [30/360 (Floating) or 30/360 or Bond Basis] [30E/360 or Eurobond Basis]
- [30E/360 (ISDA)]
- (xi) Interest calculation method for short or long Interest Periods: [Linear Interpolation, in respect of the Remuneration Period beginning on (and including) [ ] and ending on (but excluding) [ ]]
- [The applicable Relevant Rate on the Interest Determination Date]
- [Not applicable – there are no short or long Remuneration Periods]
32. Remuneration Provisions in respect of Securities relating to a Proprietary Index: Remuneration Amount – Component Cash Flows is [not applicable] [applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Remuneration Payment Dates: [[ ] in each year [adjusted in accordance with [*specify Business Day Convention*] and the Settlement Date]
- (ii) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]

#### **OTHER GENERAL PROVISIONS APPLICABLE TO THE SECURITIES**

33. Form of Securities: [Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Securities only in the limited circumstances specified in the Permanent Global Security]
- [Temporary Global Security exchangeable for Definitive Securities on or after the Exchange Date]
- [Permanent Global Security exchangeable for Definitive Securities only in the limited circumstances specified in the Permanent Global Security][TEFRA C shall apply.] [

TEFRA D shall apply.]

[The Securities will be issued and held in book-entry form by *[Monte Titoli S.p.A/ include the name of any other custodian appointed by the relevant Issuer]*, as Centralised Custodian.] *[N.B. applicable if the Governing Law is Italian law. See paragraph 34]*

34. Governing Law: [English law applicable] [Italian law applicable]

**RESPONSIBILITY**

The information contained in these Final Terms [[ ] has been extracted from [ ]. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the relevant Issuer:

By:.....

By: .....

Duly authorised

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

By: .....

Duly authorised

Duly authorised]

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official List of the Irish Stock Exchange/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made by the relevant Issuer (or on its behalf) for the Securities to be admitted to trading on [*specify relevant regulated market*] with effect from [ ] [Application is expected to be made by the relevant Issuer (or on its behalf) for the Securities to be admitted to trading on [*specify relevant regulated market*] with effect from [ ].] [Not applicable]
- (Where documenting a fungible issue need to indicate that original Securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [ ] [Not Applicable (*if the information in paragraph 5(iii) (Estimated total expenses) below is to be provided*)]

### 2. RATINGS

Ratings: [The Securities to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].

*[Depending on the status of the credit rating agency with respect to Regulation (EC) No. 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013) (the “**CRA Regulation**”), the wording below should be considered:]*

*[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013).*

*As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in*

accordance with such Regulation – see [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) .]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and it is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013).

As such, [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013) (the “**CRA Regulation**”).

The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with the CRA Regulation.

[*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. As such [*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation – see [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013) (the “**CRA Regulation**”), but it [is]/[has applied to be] certified in accordance with such Regulation [and it is included in the list of

credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation – see [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)]/[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 credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013), 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 credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended by (EU) No Regulation 513/2011 and by Regulation (EU) No 462/2013) (the “**CRA Regulation**”). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, 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 EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and

Markets Authority on its website in accordance with the CRA Regulation].]

3. **NOTIFICATION**

[Not applicable.] [The Central Bank of Ireland [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus [and the supplement thereto dated [ ]]] has been drawn up in accordance with the Prospectus Directive.]

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

[Not Applicable] [Save for the fees payable to the managers,] so far as the relevant Issuer is aware, no person involved in the [issue/offer] of the Securities has an interest material to the offer.

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

(i) Reasons for the offer: [Not Applicable] [ ]

*(See [“Use of Proceeds”] wording in 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: [Not Applicable] [ ]

*(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: [Not Applicable] [ ]

*[Include breakdown of expenses.]\*\*\**

6. **YIELD [Certificates bearing remuneration at a fixed rate only]** [Not applicable]

Indication of yield: [ ]

Calculated as [include details of method of calculation in summary form] on the Issue Date

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\*\*\* 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.

using [the ICMA Method] [ ] .

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price[,] [and] the Fixed Coupon [and the Broken Amount]. It is not an indication of future yield.

7. **HISTORIC INTEREST RATES** [*floating rate Certificates only*]

[Not Applicable] [Details of historic [EURIBOR/LIBOR/LIBID/LIMEAN/ *relevant yield of Government securities/relevant swap rate*] can be obtained from [Reuters].]

8. **FURTHER INFORMATION PUBLISHED BY THE ISSUER**

[The Issuer does not intend to provide any further information on the past and future performance and/or volatility of the Reference Item. [The Issuer will provide further information relating to the past and future performance and/or volatility of the Reference Item on [*insert source [ ]*] [and update the information on an ongoing basis following issuance of the Securities]. Such information will include [describe information: [ ]]

9. **INFORMATION RELATING TO THE REFERENCE ITEM**

[Information on the past and future performance of the Reference Item and its volatility can be obtained [on the public website on www. [ ] [ ] [and on the [Bloomberg] or [Reuters] page as provided for each Component composing the Reference Item. [NB ensure such page is given there] [*If no public information exists, insert: in a physical form at the offices of [insert address/telephone number]*]

[*If the Reference Item is an index or basket of indices, insert:*

The sponsor of the, or each, index composing the Reference Item also maintains an Internet Site at the following address where further information may be available in respect of the Reference Item.

Name of Index Sponsor Website

[*Insert relevant disclaimer for each index:*]

10. **OPERATIONAL INFORMATION**

ISIN: [ ]

Common Code: [ ]

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)*]

Delivery: Delivery [against/free of] payment

Initial Paying Agents:

Names and addresses of additional [ ]

Paying Agent(s) (if any):

10. **DISTRIBUTION**

- (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not applicable/give names and addresses and underwriting commitments]

*(Include 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.)*

- (ii) Date of Subscription Agreement: [Not Applicable] [ ]

- (iii) Stabilising Manager(s) (if any): [Not applicable/give name]

If non-syndicated, name of Dealer: [Not applicable/give name]

Non-exempt offer: [Not applicable] [An offer of the Securities may be made by the Managers and [specify if applicable] 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] (“**Public Offer Jurisdictions**”) during the period from [specify date] until [specify date] (“**Offer Period**”). See further Paragraph 11 (*Terms and Conditions of the Offer*) of Part B below.

11. **TERMS AND CONDITIONS OF THE OFFER\*** [Not applicable]

Offer Period: [ ] to [ ]

Offer Amount: [ ] [provided that, during the Offer Period, the relevant Issuer will be entitled [(following

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\* Not relevant for an issue of Securities with an issue price of equal to or greater than Euro 100,000 (or its equivalent in another currency).

consultation with the relevant Dealer(s))] to increase such Offer amount up to [ ] [provided [further] that, during the Offer Period the relevant Issuer will be entitled [(following consultation with the relevant Dealer(s))] to extend the length of the Offer Period]. The Issuer [and the relevant Dealer(s)] shall forthwith give notice of any such [increase] [and/or] [extension] pursuant to Condition 8 (*Notices*) of the Terms and Conditions of the Securities and comply with any applicable laws and regulations.]

Offer Price:	[Issue Price][ <i>specify</i> ]
Conditions to which the offer is subject:	[Not applicable/ <i>give details</i> ]
Description of the application process:	[Not applicable/ <i>give details</i> ]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not applicable/ <i>give details</i> ]
Details of the minimum and/or maximum amount of application:	[Not applicable/ <i>give details</i> ]
Details of the method and time limits for paying up and delivering the Securities:	[Not applicable/ <i>give details</i> ]
Manner in and date on which results of the offer are to be made public:	[Not applicable/ <i>give details</i> ]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not applicable/ <i>give details</i> ]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not applicable/ <i>give details</i> ]

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

Name(s) and address(es), to the extent known to the relevant Issuer, of the placers in the various countries where the offer takes place. [None/*give details*]

Consent to use of Base Prospectus [The Issuer consents to the use of the Base Prospectus by all financial intermediaries (general consent).]

[General consent for the subsequent resale or final placement of the Securities by the financial intermediary[y][ies] is given in relation to [].]

[The Issuer consents to the use of the Base Prospectus by the following financial intermediary[y][ies] (individual consent): *[insert names] and address[es]*].]

[Individual consent for the subsequent resale or final placement of the Securities by the financial intermediary[y][ies] is given in relation to [] to *[insert names] and address[es]*] and *[give details]*].]

[Such consent is also subject to and given under condition [ ]]

[The subsequent resale or final placement of the Securities by financial intermediaries can be made [as long as the Base Prospectus is valid in accordance with article 9 of the Prospectus Directive] [ ].]

## **PART C – OTHER APPLICABLE TERMS**

*[Insert other relevant information and provisions in accordance with Annex XXI of Regulation 2004/809/EC, such as (i) additional provisions, not required by the relevant securities notes, relating to the underlying country(ies) where the offer(s) to the public takes place, (ii) country(ies) where admission to trading on the regulated market(s) is being sought, (iii) country(ies) into which the relevant base prospectus has been notified, (iv) series number, (v) tranche number. Delete if not required]*

**PART D – SUMMARY OF THE SPECIFIC ISSUE**

*[Insert Summary of the specific issue]*

## TAXATION

*The following is a general summary of certain Italian, Luxembourg and Irish tax consequences of the purchase, the ownership and the disposal of the Securities. It does not purport to be a comprehensive description of all the tax aspects which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors and of Securities, some of which (such as dealers in securities or commodities and certain non-Italian resident Securityholders purchasing Securities convertible or exchangeable into shares) may be subject to special rules.*

*Prospective investors are advised to consult in any case their own tax advisers concerning the overall tax consequences of their purchase, ownership and disposal of the Securities.*

*This summary assumes that Mediobanca and Mediobanca International are resident for tax purposes in the Republic of Italy and in Luxembourg respectively and are structured and conduct their business in the manner outlined in this Prospectus. Changes in Mediobanca and/or Mediobanca International's organisational structure, tax residence or the manner in which each of them conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Securities is at arm's length.*

*Where in this summary English terms and expressions are used to refer to Italian, Luxembourg and Irish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian, Luxembourg and Irish concepts under Italian, Luxembourg and Irish tax laws.*

*This summary is based upon the laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.*

*Neither Mediobanca nor Mediobanca International will update this summary to reflect changes in law and/or practice. If any such change should occur, the information in this summary could become obsolete.*

### **(A) Italian Taxation of the Securities issued by Mediobanca**

#### **Tax on income and capital gains**

Provided the Securities qualify broadly as derivative instruments for the purposes of Italian tax law, which they are expected to do, then the following consequences apply to a Securityholder in respect of the periodic measurement of the Securities and/or in relation to the net proceeds received from a redemption or sale of the Securities over the sum paid by such a holder on their subscription or purchase:

- (i) proceeds from the sale or redemption of the Securities received by a Securityholder which is (a) an Italian resident corporation or similar commercial entity, (b) an Italian individual engaged in entrepreneurial activities to which the Securities are effectively connected, or (c) a permanent establishment in Italy of a non-Italian resident to which the Securities are effectively connected, as well as unrealised gains reported in the statutory financial

statements, may have to be included in the relevant holder's taxable income and are therefore subject to the general Italian corporate tax regime (corporate income tax, IRES, is currently applicable at 27.5 per cent.), or to personal income taxation (as business income), as the case may be, according to the ordinary rules. In certain cases, depending on the *status* of the Securityholder, such proceeds may also have to be included in its taxable base for regional income tax on business activities (IRAP, currently applicable at a rate of 3.9 per cent. IRAP rate may be increased in certain Italian regions, also in accordance with the provisions of Law Decree No. 93 of 27 May 2008, which has been converted into Law No. 126 of 24 July 2008; IRAP rate has also been increased to 4.65 per cent. and 5.9 per cent. by article 23(5) of Law Decree no. 98 of 6 July 2011 for the categories of companies indicated, respectively, under article 6 and article 7 of Legislative Decree no. 446 of 15 December 1997);

- (ii) according to article 5 of Legislative Decree No. 461 of 21 November 1997 (“**Decree 461**”), capital gains realised by Italian resident individuals, not engaged in entrepreneurial activities to which the Securities are effectively connected, and by certain other non commercial entities upon the sale for consideration or redemption of the Securities are subject to a substitute tax (*imposta sostitutiva*) currently at the rate of 20 per cent..

In respect of the application of such substitute tax, 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 Securities 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 of the same nature, realised by the Italian resident individual Securityholder holding the Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding the Securities 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 of the same nature, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realised in any of the four succeeding tax years. However, carried forward capital losses in excess of capital gains realized prior to 1 January 2012 may be used against capital gains realised in any of the four succeeding tax years limitedly to 62.5% of their amount.

As an alternative to the tax declaration regime, Italian resident individual Securityholders holding the Securities 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 Securities under the “*risparmio amministrato*” regime provided for by Article 6 of Decree 461 (the “**Risparmio Amministrato**”). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, “*società di intermediazione mobiliare*” (“SIMs”) or certain authorised financial intermediaries (or permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities, net of any incurred capital loss of the same nature, 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 Securityholder or using funds provided by the Securityholder for this purpose. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Securities results in a capital loss, such loss may be deducted from capital gains of the same nature subsequently realised, within the same securities management relationship, in the same tax year or in the following tax years up to the fourth. Capital losses realized prior to 1 January 2012 may be carried forward against capital gains realised after such date within the same securities management, according to the same conditions above described, limitedly to 62.5% of their amount. Under the *Risparmio Amministrato* regime, the Securityholder is not required to declare the capital gains in the annual tax return.

Any capital gains on Securities held by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime (the “**Asset Management Option**”) pursuant to Article 7 of Decree 461, 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 20 per cent. annual substitute tax, to be paid by the managing authorised intermediary. Under the Asset Management Option, any decrease in value 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. Any decrease in value of the managed assets accrued until 31 December 2011 may be carried forward against increase in value of the managed assets accrued after such date limitedly to 62.5% of their amount. Under the Asset Management Option, the Securityholder is not required to declare the capital gains realised in the annual tax return.

- (iii) the increase or decrease in the fair market value of the Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident collective investment funds and hedge funds, with the exception of Italian real estate investment funds, are not subject to taxation at the fund’s level;
- (iv) the increase or decrease in the fair market value of the Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same Securities by Italian resident pension funds (subject to the regime provided for by articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree 21 April 1993, no. 124 as further substituted by Legislative Decree no. 252 of 5 December 2005) are included in the determination of the yearly NAV accrued appreciation or depreciation of the assets under management that is subject to a substitute tax currently at a rate of 11 per cent.;
- (v) capital gains realised by non-Italian-resident Securityholders without a permanent establishment in Italy to which the Securities are effectively connected from the sale or redemption of Securities traded on regulated markets in Italy or abroad are not subject to the *imposta sostitutiva*, regardless of whether the Securities are held in Italy. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised financial intermediary and elect to be subject to the Asset Management Option or are subject to the *Risparmio Amministrato* regime according to Article 6 of Decree 461, may be required to produce in due

time to the Italian authorised financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Securityholders without a permanent establishment in Italy to which the Securities are effectively connected from the sale or redemption of Securities not traded on regulated markets issued by an Italian resident issuer may in certain circumstances be taxable in Italy, if the Securities are held in Italy.

However, non-Italian resident beneficial owners of Securities without a permanent establishment in Italy to which the Securities are effectively connected are not subject to the *imposta sostitutiva* on capital gains realised upon sale or redemption of the Securities, provided that the effective beneficiary: (i) is resident in a country which allows for an adequate 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 or established in a country which allows for an adequate exchange of information with Italy, even if it does not possess the *status* of taxpayer in its own country of residence. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised financial intermediary and elect to be subject to the Asset Management Option or are subject to the *Risparmio Amministrato* regime according to Article 6 of Decree 461, may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above. Additional statements may be required for non-Italian resident Securityholders who are institutional investors.

For the purposes of the above, the currently applicable “white list” of countries allowing for an adequate exchange of information with Italy is provided for by Italian Ministerial Decree 4 September 1996, as subsequently amended and supplemented. According to Budget Law 2008 (Law No. 244 of 24 December 2007), a decree still to be issued will introduce a new “white list” ordered to replace the current one.

Moreover, in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Securities are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Securities 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 Securities. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised financial intermediary and elect to be subject to the Asset Management Option or are subject to the *Risparmio Amministrato* regime according to Article 6 of Decree 461, may be required to produce in due time to the Italian authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence.

Please note that for a non-Italian resident, the *Risparmio Amministrato* regime provided for by Article 6 of Decree 461 shall automatically apply, unless it expressly waives this regime, where the Securities

are deposited in custody or administration with an Italian resident authorised financial intermediary or permanent establishment in Italy of a foreign intermediary.

Different rules may apply with respect to taxation of capital gains realised upon sale or exercise of Securities convertible or exchangeable into shares, where the sale or redemption of such Security by a Securityholder does qualify as disposal of a qualified participation in the relevant underlying entity<sup>6</sup>.

### **Certificates qualifying as atypical securities**

Payments relating to Certificates issued by Mediobanca that are not deemed to fall within the category of (a) bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) or of (b) shares or securities similar to shares (*azioni or titoli similari alle azioni*), but qualify as atypical securities (*titoli atipici*) for Italian tax purposes, may be subject to a withholding tax, levied at the rate of 20 per cent.. For this purpose, pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, securities similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate to the management of the issuer or of the business in relation to which they are issued or to control the same management.

Where the Securityholder is (i) an Italian resident individual engaged in an entrepreneurial activity to which the Certificates are connected, (ii) an Italian resident company or a similar Italian resident commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Certificates are effectively connected, (iv) an Italian resident commercial partnership or (v) an Italian resident commercial private or public institution, the above-mentioned 20 per cent. withholding tax is a provisional withholding tax. In all other cases, including when the Securityholder is a non-Italian resident, the withholding tax is a final withholding tax. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non Italian resident Securityholders, subject to proper compliance with relevant subjective and procedural requirements.

## **(B) Tax regime of the Securities issued by Mediobanca International**

### **1. Tax treatment of the Securities in Luxembourg**

#### ***Luxembourg tax residency of the holders of the Securities***

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<sup>6</sup> The disposal of a "qualified" participation in a corporation is deemed to occur when a beneficial owner:

- (i) owns shares (other than saving shares), securities and/or rights through which shares may be acquired representing, in the aggregate, a Qualified Participation, as defined below, and
- (ii) in any 12-month period following the date the ownership test under (i) is met, such beneficial owner engages in the disposal of shares, securities and/or rights through which shares may be acquired that individually or in the aggregate constitute a Qualified Participation.

For the purposes of the above, a participation is defined as qualified participation ("**Qualified Participation**") if the shares (other than saving shares – *azioni di risparmio*), securities and/or rights through which shares may be acquired – including rights under notes convertible or exchangeable into shares - held by a person amount to/represent (i) more than 2% or 20% of the voting rights in the general shareholders' meeting or (ii) more than 5% or 25% of the share capital, depending on whether the participated company is listed or not on a regulated market.

A holder of the Securities will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Securities, or the execution, performance, delivery and/or enforcement of the Securities (holding of the Securities includes receipt of interest and repayment of the principal).

### ***Withholding tax***

All payments of interest and principal by the relevant Issuer in the context of the holding, disposal, redemption or repurchase of the Securities can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however:

- (i) with respect to Luxembourg non-resident investors and certain types of recipient entities established outside Luxembourg, to the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive (Council Directive 2003/48/EC) and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities established outside Luxembourg called "residual entities") by a paying agent in Luxembourg within the meaning of the above-mentioned directive (see section "EU Savings Directive" below) or agreements unless such investor provides a certificate of exemption as defined in the above-mentioned directive or such investor or entity agrees to the exchange of information;
- (ii) with respect to Luxembourg resident investors, to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% final withholding tax (which is final when Luxembourg resident individuals are acting in the context of the management their private wealth) on interest payments made by Luxembourg paying agents to Luxembourg individual residents on interest accrued since July 1st, 2005 but paid after January 1st, 2006. This withholding tax also applies on accrued interest received upon sale, redemption or repurchase of the Securities. The law of 17 July 2008 (amending the law of 23 December 2005) extended the possibility to benefit, under conditions, from such final 10% withholding tax for interest payments to Luxembourg resident individuals not holding the Securities as business assets, that are made through a paying agent established in another EU-Member State, in a Member State of the European Economic Area or in a jurisdiction that has concluded an international agreement in relation to the EU Savings Tax Directive.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws (which may be the relevant Issuer).

### ***Income taxation of the holders of the Securities***

#### ***Taxation of Luxembourg non-residents***

Holders of the Securities who are non-residents of Luxembourg and who do not have a permanent establishment in Luxembourg to which the Securities are attributable are not liable to any Luxembourg

income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon the redemption of the Securities, or realize capital gains on the sale of any Securities.

### *Taxation of Luxembourg residents*

#### *General*

Holders of the Securities who are residents of Luxembourg, or non-resident holders of the Securities who have a permanent establishment or a fixed base of business in Luxembourg with which the holding of the Securities is connected, must, for income tax purposes, include any interest received in their taxable income. They will not be liable to any Luxembourg income tax on repayment of principal.

For individuals resident in Luxembourg, the 10% tax withheld at source constitutes a final taxation.

#### *Capital Gains*

##### *Luxembourg resident individuals*

Luxembourg resident individuals who are holders of the Securities and who are acting in the course of the management of their private wealth are not subject to taxation on capital gains upon the disposal of the Securities, unless the disposal of the Securities precedes the acquisition of the Securities or the Securities are disposed of within six months of the date of acquisition of these Securities. Upon redemption of the Securities, individual Luxembourg resident holders of the Securities must however include the portion of the redemption price corresponding to accrued but unpaid interest in their taxable income.

##### *Luxembourg resident companies – Luxembourg permanent establishment of foreign enterprises*

Luxembourg resident companies (sociétés de capitaux) that are holders of the Securities or foreign enterprises which have a permanent establishment in Luxembourg to which the Securities are attributed, must include in their taxable income the difference between the disposal price (including accrued but unpaid interest) and the book value of the Securities disposed of.

##### *Luxembourg resident entities benefiting from a special tax regime*

Holders of the Securities who are undertakings for collective investment governed by the law of 17 December 2010, as amended, specialized investment funds governed by the law of 13 February 2007, as amended, or family wealth management companies governed by the law of 11 May 2007, as amended are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e. corporate income tax, municipal business tax and net wealth tax) with respect to the Securities.

Companies subject to the law of 15 June 2004, as amended, on venture capital vehicles might enjoy an exemption on income and gains from the Securities in accordance with, and subject to, the requirements of such law.

#### ***Net Wealth Tax***

Luxembourg net wealth tax will not be levied on a holder of a Security unless: (i) such holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or (ii) such Security

is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg. In respect of individuals, the Luxembourg law of 23 December 2005 has abolished the net wealth tax with effect from 1 January 2006.

## ***Other Taxes***

### ***1. Registration***

It is not compulsory that the Securities are filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Securities, in accordance therewith, except that, in case of use of the Securities, either directly or by way of reference, (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of a fixed or an ad valorem registration duty of 0.24% calculated on the amounts mentioned in the Securities. Indeed, a 0.24% registration duty could be levied on any notarial or other public deed making a precise reference to a loan or obligation of sum of money. In practice such kind of registration is rarely ordered.

### ***2. VAT***

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issuance of the Securities or in respect of the payment of interest or principal under the Securities or the transfer of Securities, provided that Luxembourg value-added tax may, however, be payable in respect of fees charged for certain services rendered to the relevant Issuer, if for Luxembourg value-added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from Luxembourg value-added tax does not apply with respect to such services.

### ***3. Inheritance and gift tax***

No Luxembourg inheritance tax is levied on the transfer of Securities upon the death of a Securities holder in cases where the death of a Securities holder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary.

### ***Physical settlement – holding of shares***

In case of physical settlement of the Securities, the Securityholder will receive assets as described in the Final Terms. The holding of shares issued by the relevant Issuer would lead to the following tax treatment.

### ***Withholding Tax***

Dividends paid by the Company to the holders of shares are as a rule subject to a 15% withholding tax in Luxembourg. However, subject to the provisions of an applicable double tax treaty, the rate of withholding tax may be reduced. Furthermore, a domestic withholding exemption may apply if, at the time the dividend is made available, (i) the receiving entity is an eligible company which (ii) has held

or commits itself to hold for an uninterrupted period of at least 12 months a participation of at least 10% of the share capital of the relevant Issuer or a participation of an acquisition price of at least EUR 1.2 million. Eligible entities include either a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, or a Luxembourg permanent establishment thereof, or a company resident in a State having concluded a double tax treaty with Luxembourg and subject to a tax corresponding to Luxembourg corporate income tax (hereafter, “CIT”) or a Luxembourg permanent establishment thereof, or a company limited by shares (société de capitaux) or a cooperative society (société coopérative) resident in the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof, or a Swiss company limited by share capital which is effectively subject to corporate income tax in Switzerland without benefiting from an exemption.

#### *Income Tax*

##### *(a) Luxembourg Resident Individual Holder of Shares*

Dividends derived from the shares by resident individual holders, who act in the course of the management of either their private wealth or their professional or business activity, are subject to income tax at the progressive ordinary rate. Such dividend may benefit from the 50% exemption set forth in Article 115.15 a) of the Luxembourg Income Tax Law, subject to the fulfillment of the conditions set out therein.

Capital gains realized on the disposal of the shares by resident individual holders, should not be subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains on the shares are deemed to be speculative gains and are subject to income tax at ordinary income tax rates if the shares are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual holder of shares has either alone or together with his spouse and/or underage children, held directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the Company. A holder of shares is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the transferor (or any of the successive transferor in case of successive transfers free of charge within the same 5-year period). Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are subject to income tax according to the half-global rate method. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the shares.

##### *(b) Luxembourg Resident Corporate Holders of Shares*

Dividends and other payments derived from the shares and paid to a Luxembourg fully-taxable resident company are subject to income tax, unless the conditions of the participation exemption regime, as described below, are satisfied. If these conditions are not met, under current Luxembourg tax laws, 50% of the gross amount of dividends received on the shares may be exempt from income tax pursuant to article 115 15 a) of the Luxembourg Income Tax Law. A tax credit is further granted for Luxembourg withholding taxes, if any.

Under the participation exemption regime, dividends derived from the shares may be exempt from income tax at the level of the holder of shares, except for the amount of the expenses which directly

relate to this shareholding and which have reduced the Luxembourg fully-taxable resident company's taxable basis in the year of receipt of the dividend, if cumulatively, (i) the holder of shares is a Luxembourg resident fully-taxable company, or a Luxembourg permanent establishment of a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, or a Luxembourg permanent establishment of a company limited by share capital resident in a country having a tax treaty with Luxembourg, or a Luxembourg permanent establishment of a limited company or a cooperative company resident in the European Economic Area other than a EU Member State, (ii) the beneficiary has held or commits itself to hold the shares for an uninterrupted period of at least 12 months at the time of the distribution, (iii) during this whole period, the shares represent a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least EUR 1.2 million.

Capital gains realized by a Luxembourg fully-taxable resident company on the shares are subject to income tax at ordinary rates. However, under the participation exemption regime, capital gains realized on the shares may be exempt from income tax, except for the amount of the expenses which directly relate to this shareholding and which have reduced the Luxembourg fully-taxable resident company's taxable basis in the year of disposal and prior years, if the above mentioned conditions are met except that the acquisition price threshold is EUR 6 million for capital gains purposes. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the book value.

*(c) Luxembourg Resident Companies benefiting from a Special Tax Regime*

Holders of shares who are undertakings for collective investment governed by the law of 17 December 2010, as amended, specialized investment funds governed by the law of 13 February 2007, as amended, or family wealth management companies governed by the law of 11 May 2007, as amended, are exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on the shares are thus not subject to income tax in their hands.

Companies subject to the law of 15 June 2004, as amended, on venture capital vehicles might enjoy an exemption on income and gains from the shares in accordance with, and subject to, the requirements of such law.

*(d) Luxembourg Non-Resident Holders of Shares*

Non-resident holders of shares who have neither a permanent establishment nor a permanent representative in Luxembourg to which the shares are attributable are generally not liable to any Luxembourg income tax, whether they receive payments of dividends or realize capital gains upon sale of shares, except for capital gains realized on a substantial participation (see above under section a) before the acquisition or within the first 6 months of the acquisition thereof that are subject to income tax in Luxembourg at ordinary rates (subject to applicable double tax treaties).

*(e) Permanent Establishment of Luxembourg Non-Resident Holders of Shares*

Dividends received by a Luxembourg permanent establishment or a permanent representative of a non-resident holders of shares to which the shares are attributable, as well as capital gains realized on such shares, are subject to Luxembourg income tax, unless the conditions of the participation exemption regime are satisfied (see above under section a). Dividends deriving from shares that do not qualify for the 100% exemption and received by a Luxembourg permanent establishment or

permanent representative may benefit from the 50% exemption of the gross amount as described above according to article 115.15 a) of the Luxembourg Income Tax Law. A tax credit is further granted for the Luxembourg withholding tax, if any.

## **2. Tax treatment of the Securities in Italy for Italian resident investors**

Any gain obtained from the sale or the exercise of the Securities would be subject to the same tax regime as described under (A) “Italian Taxation of the Securities issued by Mediobanca”, above.

### **(C) Irish Taxation of the Securities issued by Mediobanca and Mediobanca International**

The following is a summary of the Irish withholding tax treatment of the Securities. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities.

The summary is based upon the laws of Ireland and the published practices of the Revenue Commissioners of Ireland as in effect on the date of this Base Prospectus. Prospective investors in the Securities should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Securities including, in particular, the effect of any state or local law taxes, if applicable.

#### **Irish Withholding Tax**

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (yearly interest is interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are capable of being made for a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by companies that are resident in Ireland for the purposes of Irish tax;

at the standard rate of income tax (currently 20 per cent).

On the basis that the relevant Issuer is not resident in Ireland for the purposes of Irish tax, nor does the relevant Issuer operate in Ireland through a branch or agency with which the issue of the Securities is connected, nor are the Securities held in Ireland through a depository or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the Securities, such payments should not be regarded as payments having an Irish source for the purposes of Irish taxation.

Accordingly, the relevant Issuer or any paying agent acting on behalf of the relevant Issuer should not be obliged to deduct any amount on account of these Irish withholding taxes from payments made in connection with the Securities.

Separately, for as long as the Securities are quoted on a stock exchange, an investor should not be obliged to deduct any amount on account of Irish tax from a payment made by it in connection with the purchase of the Securities.

## **Irish Encashment Tax**

Payments on any Securities paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of Securities will be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Securities entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

### **4. Payments made by the Guarantor under the Guarantee**

There is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian courts would not support such an alternative treatment.

With respect to payments on the Securities made to Italian resident Securityholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 20 per cent. levied as a final tax or a provisional tax (“*a titolo d’imposta o a titolo di acconto*”) depending on the “*status*” of the Securityholder, pursuant to Decree 600/1973. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian residents, subject to proper compliance with relevant subjective and procedural requirements. In accordance with another interpretation, any such payment made by the Italian resident guarantor should be treated, in certain circumstances, as a payment by the relevant issuer and should thus be subject to the tax regime described in the previous paragraph 2 of this section.

### **(D) General Provisions applicable in Italy to both Mediobanca and Mediobanca International Issues**

#### ***Tax monitoring***

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended (“Decree 167/1990”), individuals, non commercial institutions and non-commercial partnerships resident in Italy, who are the beneficial owners of investments abroad or of foreign financial assets (including Securities held abroad and/or Securities issued by a non-Italian resident issuer), must, in certain circumstances, disclose the aforesaid and related transfers to, from and occurred abroad, to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return). This obligation does not exist in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167/1990, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

#### ***Inheritance and gift taxes***

Transfers of any valuable asset (including the Securities) as a result of death or donation of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes Securities issued by Italian resident issuers), are generally taxed in Italy 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 €1,000,000.00 for each beneficiary;
- (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;
- (iii) 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 €100,000.00 for each beneficiary; and
- (iv) any other transfer is 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.

If the beneficiary has a serious disability recognised by law, inheritance and gift taxes apply on its portion of the net asset value exceeding € 1,500,000.00.

#### ***Stamp duty***

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Securities deposited therewith. The stamp duty applies at the current rate of 0.20 per cent., with a cap of Euro 14,000 for corporate Securitiesholders only; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Securities held.

#### ***Wealth Tax on securities deposited abroad***

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Securities outside the Italian territory are required to pay an additional tax at the current rate of 0.20 per cent..

This tax is calculated on the market value of the Securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

#### ***Italian Financial Transaction Tax***

Law No. 228 of 24 December 2012 (the "**Stability Law**") has introduced an Italian Financial Transaction Tax ("**FTT**").

There are three elements to the Italian FTT: a tax on transfers of shares and equity-like instruments; a fixed levy on equity derivatives; and a tax on high frequency trading.

In particular, Article 1(491) of the Stability Law introduces a stamp duty-like FTT of 0.2 per cent. on the transfer of shares and other equity-like instruments issued by Italian resident entities. This also encompasses any financial instruments that have such shares or equity-like instruments as their underlying assets, irrespective of the issuer's residence. The FTT rate is reduced by half to 0.1 per cent. if the transfer takes place on a regulated market or multilateral trading systems. The FTT is even levied on any transfer of shares deriving from the conversion of bonds and applies even if the transfer takes place outside Italy and/or any of the parties to the transaction are not be resident in Italy. However the FTT does not apply to (i) the transfer of shares or other equity-like instruments deriving from succession or donation, (ii) the issue or cancellation of shares or other equity-like instruments, (iii) the conversion into newly issued shares, (iv) the temporary purchase of securities provided under Article 2, No. 10) of the Commission Regulation (EC) No. 1287 of 10 August 2006 (such as securities lending transactions, repos transactions, buy-sell back and sell-buy back transactions) or (v) the transfer of shares listed on regulated markets or other multilateral trading systems issued by companies whose average market value – for the month of November in the year preceding the year when the transfer was carried out – was less than Euro 500 million.

In addition, Article 1(492) of the Stability Law introduces a fixed levy FTT that applies to all transactions involving equity derivatives with Italian shares, Italian equity-like instruments or Italian equity-related instruments as their underlying assets. The FTT applies even if the transfer takes place outside Italy and/or any of the parties to the transaction are not be resident in Italy. The amount of tax depends on the type of derivative instrument and on the contract's value, however with a maximum of € 200.00. The FTT is reduced to 1/5 of the relevant amount if the transfer takes place on a regulated market or multilateral trading systems. In the case of physical settlement, the FTT is also due upon transfer of ownership rights of the underlying Italian shares, Italian equity-like instruments or Italian equity-related instruments.

The person liable for any FTT under Article 1(491) is the transferee of the shares or equity-like instruments; any FTT under Article 1(492) is due from each party involved in the relevant transaction.

FTT arising under either Article 1(491) or (492) must be paid and accounted for by any intermediaries involved in such transactions, eg banks, fiduciary companies or investment firms licensed to provide investment services on a professional basis to the public in accordance with Article 18 of the Italian Legislative Decree No. 58 of 24 February 1998, including non-Italian resident intermediaries, but will ultimately be borne by the parties to the transaction. If no intermediary is involved in a transaction, then the FTT is payable directly by the transacting parties.

There are some exemptions, for example transactions with the following counterparties are exempted: the EU, the Central European Bank, a central bank of an EU Member State, a central bank or body that manages official reserves on behalf of other States or an international body set up in accordance with international agreements implemented in Italy.

A 0.02 per cent FTT has also been introduced on high frequency trading carried out on the Italian financial market.

#### **(E) EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or

other similar income paid by a person within its jurisdiction to, or collected by such a person in favour of, a beneficial owner that is, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. The proposal foresees that the amended Directive will need to be transposed by the 1<sup>st</sup> of January of the third year of entry into force of the amended Directive. However, such Directive has not entered into force yet. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

#### *Implementation in Italy*

Italy has implemented the Directive through Legislative Decree No. 84 of 18 April 2005 (“**Decree 84**”). Under Decree 84, subject to a number of important conditions being met, where interest is paid (including interest accrued on the Securities at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in a dependent or associated territory under the relevant International agreement (currently Jersey, Guernsey, the Isle of Man, the Netherlands Antilles, the British Virgin Islands, Turks and Caicos Islands, the Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (including any banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy) are required to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, UCITS recognised in accordance with Directive 85/311/EEC.

#### *Implementation in Luxembourg*

The Savings Tax Directive was implemented in Luxembourg by the Law of 21 June 2005.

*Implementation in Ireland*

The Savings Tax Directive was transposed into Irish law as Chapter 3A, Part 38 TCA 1997.

## GENERAL INFORMATION

(1) Listing and Admission to Trading

The Central Bank of Ireland has approved this Base Prospectus as a base prospectus. Application has also been made to the Irish Stock Exchange for Securities issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Irish Stock Exchange. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

However, Securities may be issued pursuant to the Programme which will not be listed or admitted to trading on the Irish Stock Exchange or any other stock exchange or which will be listed or admitted to trading on such stock exchange as the Issuers and the relevant Dealer(s) may agree.

The Central Bank of Ireland may, at the request of the relevant Issuer, send to the competent authority of another European Economic Area Member State: (i) a copy of this Base Prospectus; (ii) an Attestation Certificate; and (iii) if so required by such competent authority, a translation of the section of this Base Prospectus headed "*Summary of the Programme*".

Each Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in Ireland and the Republic of Italy in connection with the establishment and update of the Programme and the issue and performance of the Securities and the guarantee relating to them. The establishment of the Programme, including the giving of the Guarantee, was authorised by a resolution adopted by the Executive Committee of Mediobanca passed on 17 September 2013 and the decision (*determina*) assumed by the General Manager (*Direttore Generale*) of Mediobanca on 15 January 2014 as amended and supplemented on 13 February 2014, and a circular resolution of the Board of Directors of Mediobanca International passed on 12 February 2014.

- (2) The price and amount of Securities to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
- (3) Save as disclosed in this Base Prospectus at page 290, Mediobanca International (where Mediobanca International is the relevant Issuer) is not and none of Mediobanca and its consolidated subsidiaries (where Mediobanca is the relevant Issuer or the Guarantor) is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Mediobanca Group's financial position or profitability and, so far as Mediobanca or, as the case may be, Mediobanca International is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.
- (4) Neither Mediobanca nor Mediobanca International nor any of Mediobanca's subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may reasonably be expected to be material to such Issuer's ability to meet its obligations to Securityholders.

- (5) In the case of Mediobanca since the last published audited financial statements as at 30 June 2013 there has been no material adverse change in the prospects of Mediobanca or its subsidiaries.
- (6) In the case of Mediobanca International since the last published audited financial statements as at 30 June 2013 there has been no material adverse change in the prospects of Mediobanca International.
- (7) For so long as the Programme remains in effect or any Securities remain outstanding, the following documents will be available in electronic form (unless the investor requests physical copies), and in the case of paragraphs (vii), (viii), (ix), (x) and (xi) below, may be obtained free of charge during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent and the Paying Agent:
- (i) the Issue and Paying Agency Agreement;
  - (ii) the Dealer Agreement;
  - (iii) the Deeds of Covenant;
  - (iv) the Deed of Guarantee;
  - (v) the Programme Manual (being a manual signed for the purposes of identification by the Issuers and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Securities in global and definitive form);
  - (vi) the By-laws (*Statuto*) of Mediobanca and articles of incorporation of Mediobanca International;
  - (vii) the Mediobanca Registration Document;
  - (viii) the published annual financial statements of Mediobanca International as at and for the years ended 30 June 2013 and 2012;
  - (ix) the consolidated annual financial statements of Mediobanca as at and for the years ended 30 June 2013 and 2012;
  - (x) the interim report for the six months ended 31 December 2013 of Mediobanca;
  - (xi) the interim report for the six months ended 31 December 2013 of Mediobanca International;
  - (xii) Final Terms for Securities which are listed on the Irish Stock Exchange or any other stock exchange;
  - (xiii) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus.
- (8) Physical copies of the latest annual consolidated financial statements of Mediobanca and annual financial statements of Mediobanca International may be obtained upon request at the

specified office of the Paying Agent during normal business hours, so long as any of the Securities is outstanding.

- (9) The Issuers do not intend to provide any post-issuance information in relation to any assets underlying issues of Securities constituting derivative securities, except if required by any applicable laws and regulations.
- (10) The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Securities allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Securities are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.
- (11) The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Monte Titoli S.p.A. is Piazza degli Affari 6, 20123 Milan, Italy.
- (12) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Mediobanca and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Mediobanca or Mediobanca's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with Mediobanca routinely hedge their credit exposure to Mediobanca consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities issued under the Programme. Any such short positions could adversely affect future trading prices of Securities issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" includes also parent companies
- (13) With respect to Article 3 (2) of the Prospectus Directive the Issuers consent, to the extent and under the conditions, if any, indicated in the Final Terms, to the use of the Base Prospectus as long as the Base Prospectus is valid in accordance with Article 9 of the Prospectus Directive and accepts responsibility for the content of the Base Prospectus also with respect to subsequent resale or final placement of the Securities by any Dealer and/or financial intermediary which was given consent to use the prospectus.

Such consent may be given to all (general consent) or only one or more (individual consent) specified Dealers and/or financial intermediaries, as stated in the Final Terms, and for the

member states in which the Base Prospectus has been passported and which will be indicated in the relevant Final Terms.

Such consent by the Issuers is subject to each Dealer and/or financial intermediary complying with the terms and conditions described in this Base Prospectus and the relevant Final Terms as well as any applicable selling restrictions. The distribution of this Base Prospectus, any supplement to this Base Prospectus, if any, and the relevant Final Terms as well as the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law.

Each Dealer and/or each financial intermediary, if any, and/or each person into whose possession this Base Prospectus, any supplement to this Base Prospectus, if any, and the relevant Final Terms come are required to inform themselves about and observe any such restrictions. The Issuers reserve the right to withdraw its consent to the use of this Base Prospectus in relation to certain Dealers and/or each financial intermediary.

**In case of an offer being made by a Dealer or a financial intermediary, such Dealer or financial intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made.**

**If the Final Terms state that the consent to use the Base Prospectus is given to all Dealers or financial intermediaries (general consent), any Dealer or financial intermediary using the Base Prospectus is required to state on its website that it uses the Base Prospectus in accordance with the consent and the conditions attached thereto.**

**If the Final Terms state that the consent to use the prospectus is given to one or more specified Dealers or financial intermediaries (individual consent), any new information with respect to Dealers or financial intermediaries unknown at the time of the approval of the Base Prospectus or the filing of the Final Terms will be published on the website [www.mediobanca.it](http://www.mediobanca.it).**

## REGISTERED OFFICE

### **MEDIOBANCA - Banca di Credito Finanziario S.p.A.**

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### **Mediobanca International (Luxembourg) S.A.**

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Grand Duchy of Luxembourg

### **ARRANGER**

### **MEDIOBANCA - Banca di Credito Finanziario S.p.A.**

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### **MANDATED DEALER**

### **MEDIOBANCA - Banca di Credito Finanziario S.p.A.**

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### **AUDITORS TO MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.**

#### **Ernst & Young S.A. (as predecessor auditor)**

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#### **PricewaterhouseCoopers, Société coopérative (as successor auditor)**

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**AUDITORS TO MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A.**

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**PricewaterhouseCoopers S.p.A**

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**BNP Paribas Securities Services, Luxembourg Branch**

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**LISTING AGENT**

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